



Compliance Audit Report

Southwestern Public Service
September 18-20, 2007

Public Version

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EXECUTIVE SUMMARY

All Balancing Authority and Transmission Operators in the SPP footprint are on a three year NERC Compliance Audit cycle. Southwestern Public Service (SPS) was on the rotation in 2007. The Southwest Power Pool Regional Entity (SPP RE) audit team visited SPS in September to verify the company's evidence showing compliance to the 2007 list of monitored NERC standards. Forty seven standards were reviewed either on-site or at the SPP RE office for this audit. The team reviewed summary reports, company procedures, processes, work schedules, training schedules, on-line tools, data bases, and other sources of evidence to verify compliance. The audit team discussed the standards and evidence with several of the SPS staff.

After completing its review of the evidence, the audit team finds SPS compliant with all the reviewed standards. The evidence provided demonstrated that SPS staff was well prepared for the audit. The supporting staff was available to answer questions about the evidence presented. This preparation resulted in a professional and well-orchestrated audit.

SPS and Xcel Energy Inc. demonstrated that compliance is a company priority. There are plans to further enhance the company compliance program and compliance to the NERC standards. This progress shows that SPS and Xcel are ready to meet the challenges as the NERC compliance program expands.

AUDIT PROCESS

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP). The NERC 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 audit for compliance with all reliability standards applicable to the functions for which the entity is registered.¹ Balancing Authorities and Transmission Operators are audited on-site once every three years. The on-site audit objectives were:

- Independently review **Southwestern Public Service's (SPS's)** compliance with the requirements of the reliability standards that are applicable to **SPS** based on the functions for which SPS has registered with NERC.
- Validate compliance with applicable reliability standards from the NERC 2007 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standards, and review the status of associated mitigation plans.
- Document the SPS compliance culture.

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Scope

The on-site compliance audit included 31 NERC standards applicable to the registered entity and monitored in the NERC Implementation Plan. For 2007, the audit looked at current material and records going back twelve months. NERC standards CIP-002-1 and CIP-003-1 were reviewed to verify the company's progress with these standards.

There are 10 other NERC monitored standards that were reviewed at the SPP RC office. The results of the reviewed material are included in this report.

Six CIP standards were reviewed by the SPP RE staff in July. SPS completed the NERC CIP survey and submitted it to SPP RE. Follow up questions were discussed during the on-site audit.

SPS's neighboring Balancing Authorities, Transmission Operators, and its Reliability Coordinator were sent a questionnaire. They were asked if there were any coordination or data sharing problems with SPS. The results of these inquiries are included in this report.

Additional scope information is included in Appendix 1.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and SPP RE staff were collected and made available to SPS. Conflict of interest communications from both the independent contractor and SPS confirmed there were no conflicts. SPP RE audit staff and director do not have any conflicts of interest with SPS. SPS was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. SPS accepted the audit team member participants with no objections.

Methodology

The audit team looked for compliance with each requirement of the audited standards. Evidence could include summary reports, company procedures, processes, work schedules, training schedules, on-line tools, data bases, and other sources. Information gathered from neighboring Balancing Authorities and Transmission Operators from the Eastern and Western Interconnect along with the Reliability Coordinator will be considered during the review of evidence.

The audit team reviewed the evidence with SPS subject matter experts for each standard. This process enabled the team to get immediate answers to questions that arose. This process also exposed other company staff to the audit process which helped solidify why a company follows certain procedures and processes. The audit team discussed any self-reported violations to confirm mitigation plans or completion of the plan.

The audit team used the Reliability Standards Audit Worksheets (RSAW) to review and document each reliability standard during the compliance audit. The purpose of the RSAW was to help ensure consistency and fairness during each compliance audit. An individual audit worksheet was developed for each reliability standard. The audit team used the RSAW to document material reviewed and findings whether complaint or non-compliant. All documentation reviewed as evidence to a standard was documented in the RSAW.

The lead auditor presented the findings of the audit to SPS staff on the last day. SPS brought in several staff members and had many people call in for the presentation from Denver and Minneapolis. The presentation covered the standards that were reviewed on-site and off-site. The process for completing the final report was presented. Posting the final report was discussed along with a discussion concerning the security of the audit information. SPS was informed that there is a post-audit questionnaire to complete and that this information will be reported to the SPP RE Director and NERC. The remaining time was open for questions.

The audit team used the documented evidence to complete the final report. If a potential violation was found during the audit, the evidence presented for that standard or requirement would be collected and taken back to the SPP RE office for secure storage. The potential violation would then process through the NERC / SPP RE Compliance Monitoring and Enforcement Program.

Company Profile

Southwestern Public Service is a first-tier subsidiary of Xcel Energy Inc. Their territory covers 52,000 sq. mi. in the panhandle of Texas and part of New Mexico. SPS has three AC interconnections in the Eastern Interconnection and 3 DC interconnects with the Western Electricity Coordinating Council (WECC). SPS transmission system ranges from 345kV to 69kV. The generation mix for SPS contains gas, coal, and renewable energy. There is strong growth of wind power in their territory. SPS operates a 24 hr / 7 day per week Balancing Authority (BA) / Transmission Operator (TOP) control center with SPP as the Reliability Coordinator.

SPS is registered for the following NERC functions:

- Balancing Authority
- Transmission Operator
- Transmission Planner
- Transmission Owner
- Transmission Service Provider
- Distribution Provider
- Generator Operator
- Generator Owner
- Purchasing – Selling Entity
- Resource Planner
- Load Serving Entity

Audit Specifics

The compliance audit was conducted on September 18-20, 2007 at the Southwestern Public Service office in Amarillo, Texas.

Audit Team

Audit Team Role	Name	Title	Company
Lead	Kevin Goolsby	Sr. Engineer, Compliance	SPP RE
Member	Shon Austin	Compliance Specialist II	SPP RE
Member	Dan Schmidt	Auditor	SPP RE Contractor
Member	Norm Jary	Auditor	SPP RE Contractor
Observer	Roger Lampila	Regional Coordinator	NERC

Southwestern Public Service Audit Participants

SPS provided 30 staff members to answers questions and present the evidence supporting compliance with the NERC Standards. The staff was very knowledgeable about their department’s procedures, policies, and demonstrated coordination among the different departments.

For the closing presentation, SPS provided many of the participating staff and staff from the remote offices to hear the results and ask questions.

Title	[Audited Entity] Organization
Project Director	Southwestern Public Service
Staff Engineer	Southwestern Public Service
Director Power Operations	Southwestern Public Service
Manager - Real Time Planning	Southwestern Public Service
Manager-Transmission Control Center	Southwestern Public Service
IBM – Network	Southwestern Public Service
IBM – Voice	Southwestern Public Service
IBM – SCADA	Southwestern Public Service
Manager – Telecommunications	Southwestern Public Service
Senior Solutions Consultant	Southwestern Public Service
Trainer	Southwestern Public Service
Network Reliability Leader	Southwestern Public Service
Network Reliability Leader	Southwestern Public Service
Real-Time Planner	Southwestern Public Service
Manager – Transmission Planning	Southwestern Public Service
Manager – System Protection	Southwestern Public Service
Fault Analysis Technician	Southwestern Public Service
Manager – Engineering Operation	Southwestern Public Service
Supervisor – Maintenance Resource	Southwestern Public Service
Director – Vegetation Management	Southwestern Public Service
Supervisor – Vegetation Management	Southwestern Public Service
Manager – Planning and Operations	Southwestern Public Service
Manager – Application Delivery	Southwestern Public Service
Business Manager – Customer Operations and Transmission	Southwestern Public Service
Director – Enterprise Security	Southwestern Public Service
Manager – Technology Risk	Southwestern Public Service
Work Management Analyst	Southwestern Public Service
IT Specialist	Southwestern Public Service
System Operator	Southwestern Public Service
System Operator	Southwestern Public Service

AUDIT RESULTS

Findings

Reliability Standard	Auditor Notes	Finding
BAL-001-0	Reviewed at SPP RC office	Compliant
BAL-002-0	Reviewed at SPP RC office	Compliant
BAL-003-0	Reviewed at SPP RC office	Compliant
CIP-001-1	Reviewed on-site	Compliant
CIP-002-1	Reviewed on-site	On Target
CIP-003-1	Reviewed on-site	On Target
CIP-004-1 through CIP-009-1	These standards were addressed in the NERC CIP survey this summer and reviewed on-site.	Working to become auditably compliant
COM-001-1	Reviewed on-site	Compliant
EOP-001-0	Reviewed on-site	Compliant
EOP-003-1	Reviewed on-site	Compliant
EOP-005-1	Reviewed on-site	Compliant
EOP-006-1	For Reliability Coordinators	N/A
EOP-008-0	Reviewed on-site	Compliant
EOP-009-0	Reviewed on-site	Compliant
FAC-003-1	Reviewed on-site	Compliant
FAC-008-1	Reviewed on-site	Compliant
FAC-009-1	Reviewed on-site	Compliant
IRO-001-1	Reviewed on-site	Compliant
IRO-004-1	Reviewed on-site	Compliant
IRO-014-1	For Reliability Coordinators	N/A
IRO-015-1	For Reliability Coordinators	N/A
IRO-016-1	For Reliability Coordinators	N/A
PER-002-0	Reviewed on-site	Compliant
PER-003-0	Reviewed on-site	Compliant
PER-004-1	For Reliability Coordinators	N/A
PRC-004-1	Reviewed on-site	Compliant
PRC-005-1	Reviewed on-site	Compliant
PRC-008-0	Reviewed on-site	Compliant
PRC-010-0	SPS does not have any UVLS, verified at SPP RC office	N/A
PRC-011-0	SPS does not have any UVLS, verified at SPP RC office	N/A
PRC-016-0	Reviewed on-site	Compliant
PRC-017-0	Reviewed on-site	Compliant
PRC-021-1	SPS does not have any UVLS, verified at SPP RC office	N/A
TOP-003-0	Reviewed on-site	Compliant
TOP-004-1	Reviewed on-site	Compliant
TOP-005-1	Reviewed on-site	Compliant
TOP-007-0	Reviewed on-site	Compliant
TPL-001-0	Reviewed at SPP RC office	Compliant
TPL-002-0	Reviewed at SPP RC office	Compliant
TPL-003-0	Reviewed at SPP RC office	Compliant
TPL-004-0	Reviewed at SPP RC office	Compliant
VAR-001-1	Reviewed on-site	Compliant

Additional result and finding information is included in Appendix 1.

Conclusions

The audit team reviewed the evidence SPS provided to show compliance with each requirement of the audited standards at SPS's office. The audit team spent two days reviewing the material with the SPS staff. The audit team also toured the control room to verify that evidence provided in the questioning was the same available to the operators. Three Under Voltage Load Shedding (UVLS) standards did not apply to SPS at this time. SPS was well prepared to present its evidence to the audit team. SPS personnel provided the subject matter experts for each of the standards. This helped the audit team obtain answers to any questions that arose.

SPP RE staff reviewed the comments returned from SPS's neighboring Balancing Authorities, Transmission Operators, and Reliability Coordinator. There were no negative comments to investigate.

The ten other NERC monitored standards that were reviewed at the SPP RC office were found to be compliant.

The other six CIP standards reviewed by the SPP RE staff in July were found as working to become auditably compliant.

After reviewing SPS's summary reports, company procedures, processes, work schedules, training schedules, on-line tools, data bases, and other sources, the **audit team finds SPS compliant with all standards reviewed.**

Additional conclusion information is included in Appendix 1.

SUMMARY OF SOUTHWESTERN PUBLIC SERVICE RESPONSE TO THE AUDIT FINDINGS

SPS declined the opportunity to add a response to the report.