

Electric Transmission Texas, LLC

NERC ID # NCR 10211

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: September 22 - 24, 2009
Audit Location: 5502 Corporate Dr, Corpus Christi, TX 78405
Report Date: December 14, 2009
Prepared By: Mark Scovill, Audit Team Leader

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1.0 Executive Summary

The On-Site compliance audit of Electric Transmission Texas, LLC (ETT) was conducted on September 22 - 24, 2009. The NERC Reliability Standards that are being actively monitored for 2009 were reviewed based on ETT's registration as a TO and TP. ETT's mitigation plan status for 2007, 2008, and 2009 was reviewed prior to the audit. There were no mitigation plans or previous violations. The audit team consisted of five representatives from Texas Regional Entity (Texas RE). Based on the review of documentation provided by AEP (as agent for ETT) and the interviews of AEP's personnel, AEP met all of the NERC Standard requirements that were audited.

2.0 Audit Process

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at www.nerc.com. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

2.1 Objectives

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.¹ The audit objectives were:

- Independently review ETT's compliance with the requirements of the reliability standards that are applicable to ETT based on the ETT's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 CMEP 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, if any.
- Document ETT's compliance culture.

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2009 and any others that may be identified by the audit team at the time of the audit applicable to Transmission Owner and Transmission Planner. The audit was performed by five members of Texas RE.

Pursuant to a Services Agreement between AEP and ETT, AEP provides all services for the conduct of ETT's business including operation and maintenance of its electric transmission projects, and its regulatory compliance function (through ETT's participation in AEP's Reliability Standards Compliance Program). This audit focused on AEP's operation of ETT facilities.

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

Note: For the 2009 compliance program, the monitoring period for the compliance audit will generally be the last three years, the time since ETT's last audit as a TO or TP, or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

2.3 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to ETT prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to ETT. ETT 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. ETT accepted the audit team member participants with no objections.

2.4 Methodology

Once an audit date was set by Texas RE, ETT was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards. During review of the submitted pre-audit evidence the Texas RE audit team devised a sampling plan and selected specific protection zones involving specific sub-stations and transmission lines. Requests for maintenance and test data concerning these selections were communicated to ETT in the form of pre-audit follow-up questions. During the audit, Texas RE reviewed the responses to the RSAWs and pre-audit questions with AEP's management and personnel. Texas RE audit team interviewed operations personnel and reviewed documents to substantiate those operations personnel were trained and capable of following the procedures to ensure reliable operations. The audit team also interviewed IT, Communications, and Planning personnel as necessary to get answers to questions and verify documentation.

The audit team conducted an exit briefing immediately following the audit with ETT. The audit team verbally shared its preliminary results with AEP's management.

2.5 Company Profile

Electric Transmission Texas is a joint venture between American Electric Power (AEP) and MidAmerican Energy Holdings Company (MEHC). It is a transmission-only company primarily created as a business venture to compete in the completion and operation of the Competitive Renewable Energy Zone (CREZ) initiative in the ERCOT Region.

Pursuant to a Services Agreement between AEP and ETT, AEP provides all services for the conduct of ETT's business including operation and maintenance of its electric transmission projects, and its regulatory compliance function (through ETT's participation in AEP's Reliability Standards Compliance Program).

In December 2007, AEP Texas Central Company (TCC) contributed \$70 million of transmission facilities to ETT and ETT began operation as a stand-alone transmission utility in the ERCOT region. As of June 30, 2009, ETT's net investment in property, plant and equipment was \$196 million, of which \$61 million was under construction.

This audit focused on AEP's operation of ETT facilities.

2.6 Audit Specifics

Audit Date: September 22 - 24, 2009
Audit Location: 5502 Corporate Dr, Corpus Christi, TX 78405

Texas RE Audit Team:

Name	Company/Title
Mark Scovill	Texas RE/Audit Team Leader
Jagan Mandavilli	Texas RE/Auditor
Scott Jackson	Texas RE/Auditor
Rashida Caraway	Texas RE/Auditor
Andy Oliver	Texas RE/Scribe

ETT Audit Participants:

Name	Company/Title
Jeanne Sherry	AEP/Protection and Control Asset Engineering
Steve Boyd	AEP/Protection and Control Asset Engineering
Dick Pratt	AEP/Station Asset Engineering
Michael Macias	AEP/Protection and Control Asset Engineering
Roger Bentz	AEP/Sr Project Mgr, TX Transmission Planning
Paul Hassink	AEPSC/TX Transmission Planning
Billy Trott	AEP TX/Dist. Disp. Mgr.
Bernie Pasternack	AEPSC/Mng. Director Trans Asset Management
John Schechter	AEP/Transmission Line Asset Engr
Andrew k. McCabe	AEP/Transmission Station Asset Engr
Ron McCrea	AEP/Dir Transmission Reliability Compliance
Thad Ness	AEP/Reliability Std Compliance Mgr.
Paul Johnson	AEP/Managing Dir. Transmission Operations
Dennis Kunkel	AEP/ Manager Transmission Dispatch
Raj Rana	AEP/Director RTO Policy and NERC Compliance
Dennis Sauriol	AEP/Supv-Transmission Dispatch
Bret Burford	AEP/Principal Engr. – Tech Support
Beverly Laios	AEP/Principal Transmission Reliability Compliance Specialist
Barbara Lund	AEP/Engr. Transmission Operations
James Garrett	AEP/Project Manager Oper. Risk-Internal Audits
Jackie Rainey-Lewis	AEP/EMS/SCADA Analyst
Arlise Robinson	AEP/Senior Engineer, TX Distribution Dispatch

Name	Company/Title
Ronald Green	AEP/Manager Training and Development
John Hurley	AEP/Sr. System Software Consultant
Tommy Cage	AEP/Sr. SCADA Consultant
Jesse McCulley	AEP/Sr. IT Tech
Wayne McNab	AEP/Sr. IT Tech
J. Gonzalo Sandoval	AEP/Director Region Operations

3.0 Audit Results

3.1 Audit Findings

The Compliance Audit Team found that ETT was compliant with all 2009 actively monitored NERC Standards examined during the audit.

The following table is a summary of the auditor's notes for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	NA
BAL-005-0	R2.	NA
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	NA
BAL-005-0	R7.	NA
BAL-005-0	R8.	NA
BAL-005-0	R9.	NA
BAL-005-0	R10.	NA
BAL-005-0	R11.	NA
BAL-005-0	R12.	NA
BAL-005-0	R13.	NA
BAL-005-0	R14.	NA
BAL-005-0	R15.	NA
BAL-005-0	R16.	NA
BAL-005-0	R17.	NA
CIP-001-1	R1.	NA
CIP-001-1	R2.	NA
CIP-001-1	R3.	NA
CIP-001-1	R4.	NA

Reliability Standard	Requirement	Finding
COM-001-1	R1.	NA
COM-001-1	R2.	NA
COM-001-1	R3.	NA
COM-001-1	R4.	NA
COM-001-1	R5.	NA
COM-002-2	R1.	NA
COM-002-2	R2.	NA
EOP-009-0	R1.	NA
EOP-009-0	R2.	NA
FAC-001-0	R1.	Compliant
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	Compliant
FAC-003-1	R2.	Compliant
FAC-003-1	R3.	Compliant
FAC-003-1	R4.	NA
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-014-1	R1.	NA
FAC-014-1	R2.	NA
FAC-014-1	R3.	NA
FAC-014-1	R4.	Compliant
FAC-014-1	R5.	Compliant
FAC-014-1	R6.	NA
IRO-001-1	R1.	NA
IRO-001-1	R2.	NA
IRO-001-1	R3.	NA
IRO-001-1	R4.	NA
IRO-001-1	R5.	NA
IRO-001-1	R6.	NA
IRO-001-1	R7.	NA
IRO-001-1	R8.	NA
IRO-001-1	R9.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA

Reliability Standard	Requirement	Finding
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA
IRO-004-1	R7.	NA
IRO-005-1	R1.	NA
IRO-005-1	R2.	NA
IRO-005-1	R3.	NA
IRO-005-1	R4.	NA
IRO-005-1	R5.	NA
IRO-005-1	R6.	NA
IRO-005-1	R7.	NA
IRO-005-1	R8.	NA
IRO-005-1	R9.	NA
IRO-005-1	R10.	NA
IRO-005-1	R11.	NA
IRO-005-1	R12.	NA
IRO-005-1	R13.	NA
IRO-005-1	R14.	NA
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA
IRO-005-1	R17.	NA
PRC-001-1	R1.	NA
PRC-001-1	R2.	NA
PRC-001-1	R3.	NA
PRC-001-1	R4.	NA
PRC-001-1	R5.	NA
PRC-001-1	R6.	NA
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	NA
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	NA
PRC-008-0	R2.	NA
PRC-010-0	R1.	NA
PRC-010-0	R2.	NA
PRC-011-0	R1.	NA
PRC-011-0	R2.	NA
PRC-016-0	R1.	NA

Reliability Standard	Requirement	Finding
PRC-016-0	R2.	NA
PRC-016-0	R3.	NA
PRC-017-0	R1.	Compliant
PRC-017-0	R2.	NA
TOP-001-1	R1.	NA
TOP-001-1	R2.	NA
TOP-001-1	R3.	NA
TOP-001-1	R4.	NA
TOP-001-1	R5.	NA
TOP-001-1	R6.	NA
TOP-001-1	R7.	NA
TOP-001-1	R8.	NA
TOP-002-2	R1.	NA
TOP-002-2	R2.	NA
TOP-002-2	R3.	NA
TOP-002-2	R4.	NA
TOP-002-2	R5.	NA
TOP-002-2	R6.	NA
TOP-002-2	R7.	NA
TOP-002-2	R8.	NA
TOP-002-2	R9.	NA
TOP-002-2	R10.	NA
TOP-002-2	R11.	NA
TOP-002-2	R12.	NA
TOP-002-2	R13.	NA
TOP-002-2	R14.	NA
TOP-002-2	R15.	NA
TOP-002-2	R16.	NA
TOP-002-2	R17.	NA
TOP-002-2	R18.	NA
TOP-002-2	R19.	NA
TOP-003-0	R1.	NA
TOP-003-0	R2.	NA
TOP-003-0	R3.	NA
TOP-003-0	R4.	NA
TOP-006-1	R1.	NA
TOP-006-1	R2.	NA
TOP-006-1	R3.	NA
TOP-006-1	R4.	NA

Reliability Standard	Requirement	Finding
TOP-006-1	R5.	NA
TOP-006-1	R6.	NA
TOP-006-1	R7.	NA
TPL-001-0	R1.	Compliant
TPL-001-0	R2.	NA
TPL-001-0	R3.	NA
TPL-002-0	R1.	Compliant
TPL-002-0	R2.	NA
TPL-002-0	R3.	NA
TPL-003-0	R1.	Compliant
TPL-003-0	R2.	NA
TPL-003-0	R3.	NA
VAR-001-1	R1.	NA
VAR-001-1	R2.	NA
VAR-001-1	R3.	NA
VAR-001-1	R4.	NA
VAR-001-1	R5.	NA
VAR-001-1	R6.	NA
VAR-001-1	R7.	NA
VAR-001-1	R8.	NA
VAR-001-1	R9.	NA
VAR-001-1	R10.	NA
VAR-001-1	R11.	NA
VAR-001-1	R12.	NA

3.2 Mitigation Plan Findings

The Compliance Audit Team found that ETT had no open mitigation plans at the time of the audit.

3.3 Conclusion

ETT was found in compliance with the standards that were audited.

3.4 Compliance Culture

American Electric Power (AEP) has a Reliability Compliance Committee comprised of a cross-functional team of executives representing individual AEP business units, including ETT. The

committee is chaired by the Sr. Vice president of Regulatory Services who is independent of the affected business units which are responsible for compliance. The committee is responsible for ensuring implementation and oversight of AEP's program to comply with NERC and regional reliability standards. The committee oversees development and approval of compliance plans, policies, and procedures, and ensures adequate deployment of resources to implement them.

AEP maintains a reliability compliance internet site to provide key company-wide communications. A training staff exists and is targeted toward key subject matter experts.

The Sr. VP of Regulatory services reports directly to the AEP Chief Operating Officer and has direct access to the CEO, the AEP Executive Council, and the Board of Directors.

Internal Compliance Program (ICP)		
1	Was well documented?	Yes
2	Was widely disseminated in the company?	Yes
3	Had a named and staffed reliability compliance manager position (may be N/A)?	Yes
4	Was supervised at a high level in the company?	Yes
5	Had independent access to CEO or Board?	Yes
6	Had independence of operation and management?	Yes
7	Was sufficiently resourced in the opinion of your organization?	Yes
8	Was fully supported and participated in by senior management?	Yes
9	Was being reviewed and modified sufficiently often?	Yes
10	Included appropriate and sufficient training for all relevant staff?	Yes
11	Included formal, internal self-auditing for compliance on a set periodic basis?	Yes
12	Included disciplinary action for employees involved in violations?	Yes
13	Included self-assessment and self-enforcement of internal controls to prevent reoccurrence of violations?	Yes