

Weatherford Municipal Utility System

NERC ID # NCR 04160

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: August 26-27, 2009
Audit Location: Texas Regional Entity, 2700 Via Fortuna, Ste. 225, Austin, Texas
Report Date: June 13, 2011
Prepared By: Mark Scovill, Audit Team Leader

TABLE OF CONTENTS

| | | |
|------|--------------------------|----|
| 1.0 | Executive Summary | 3 |
| 2.0 | Audit Process..... | 3 |
| 2.1 | Objectives | 4 |
| 2.2 | Scope..... | 4 |
| 2.3 | Methodology | 4 |
| 2.4 | Company Profile | 5 |
| 2.5 | Audit Specifics | 5 |
| 3.0 | Audit Results..... | 6 |
| 3.1 | Findings | 6 |
| 3.2 | Conclusion | 10 |
| 3.3. | Compliance Culture | 10 |

1.0 EXECUTIVE SUMMARY

The Table Top compliance audit of Weatherford Municipal Utility System (WMUS) was conducted on August 26-27, 2009. The NERC Reliability Standards that are actively monitored for 2009 were reviewed based on Weatherford Municipal Utility System's registration as a Distribution Provider (DP). The audit team consisted of three representatives from Texas Regional Entity (Now Texas Reliability Entity - Texas RE).

WMUS's staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that was subject to this audit. The WMUS staff responded by providing evidence in the form of reports, procedures, studies and other documents. The Texas RE staff reviewed the submitted evidence. Where compliance was not clearly established, WMUS staff was contacted by telephone conference call. WMUS staff then cited specific portions of the evidence that demonstrated compliance. This evidence was documented and evaluated by the audit team to assess the level of compliance. If all of the requirements and sub-requirements of an audited standard were met, then WMUS was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then WMUS was judged to have a possible violation of the standard.

This audit report includes necessary information that was missing regarding the possible compliance violations cited for WMUS. This information will be used to help determine the severity level of sanctions and penalties. The possible compliance violations will be processed through the Texas RE's NERC Compliance Monitoring and Enforcement Program. Any further actions related to possible compliance violations will follow the same process.

Based on the review of documentation provided by Weatherford Municipal Utility System and the interviews of Weatherford Municipal Utility System's personnel, the Audit Team found possible violations of R1 in the PRC-005-1 Standard, R1 in the PRC-008- Standard, and R4 in the TOP-001-1 Standard.

Subsequent to the audit, after a review of audit records and registration history, the Texas RE Audit Team and the Texas RE Enforcement Staff agreed that two the three possible violations should be negated. WMUS is now considered compliant with R1 of the PRC-008-0 Standard and the R4 of the TOP-001-1 Standard. No further enforcement actions by Texas RE or Mitigation Plans by WMUS are required for these two requirements. Requirement R1 of PRC-005-1 Standard is still considered a Possible Violation.

The NERC Notice of Penalty (NOP) is posted on the NERC website at the following URL under NP11-181-000: <http://www.nerc.com/filez/enforcement/index.html>

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 are:

- Independently review Weatherford Municipal Utility System's compliance with the requirements of the reliability standards that are applicable to Weatherford Municipal Utility System based on the Weatherford Municipal Utility System'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 standard, and review the status of associated mitigation plans.
- Document Weatherford Municipal Utility System'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 Distribution Provider. The audit was performed by three members of Texas RE.

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

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, Weatherford Municipal Utility System was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards. During the audit, Texas RE reviewed the responses to the RSAWs and pre-audit questions with Weatherford Municipal Utility System's management and supervisors. 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

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

operations from that entity. The audit team also interviewed IT, Communications, and Planning personnel as necessary to get answers to questions and verify documentation. The audit team verified that Weatherford Municipal Utility System had no open or past mitigation plans or compliance violations.

The audit team conducted an exit briefing immediately following the audit with Weatherford Municipal Utility System. The audit team verbally shared its preliminary results with Weatherford Municipal Utility System's management.

2.4 Company Profile

Weatherford Electric (WE) is that portion of the WMUS devoted to providing electric service to the residents of the City of Weatherford, Texas, along with limited outlying areas. The WMUS is regulated by the Weatherford Municipal Utility Board (WMUB) in the best interests of its customers and the citizens of Weatherford.

The WMUS is registered with NERC (NCR04160) solely as a distribution provider. WE purchases all power for resale, which is transported to WE's four 69kV or 138kV to 12.47kV substations via transmission lines owned and operated by the Brazos Electric Cooperative (BEC). WE owns the step-down transformers, the transformer high-side breakers, and the breaker disconnect switches to the BEC transmission buses.

WE operates within a service area of approximately 52 square miles. WE owns and operates approximately 304 miles of 12.47kV of overhead and underground distribution line, serves nearly 13,000 meters and reaches peak loads in the 82MW range. Annual power purchases are typically about 368GWh.

2.5 Audit Specifics

Audit Date: August 26-27, 2009
 Audit Location: Texas Regional Entity, 2700 Via Fortuna, Ste. 225, Austin, Texas

Texas RE Audit Team:

| Company/Title |
|----------------------------|
| Texas RE/Audit Team Leader |
| Texas RE/Auditor |
| Texas RE/Auditor |

Weatherford Municipal Utility System Audit Participants:

| Company/Title |
|-------------------------------------|
| WMUS Director of Electric Utilities |
| WMUS Electrical Engineering |

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that Weatherford Municipal Utility System was non-compliant with the following standards and requirements:

| Reliability Standard & Requirement |
|---|
| PRC-005-1, R1 |
| PRC-008-0, R1 |
| TOP-001-1, R4 |

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 |
| COM-001-1 | R1. | NA |
| COM-001-1 | R2. | NA |
| COM-001-1 | R3. | NA |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| 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. | NA |
| FAC-001-0 | R2. | NA |
| FAC-001-0 | R3. | NA |
| FAC-003-1 | R1. | NA |
| FAC-003-1 | R2. | NA |
| FAC-003-1 | R3. | NA |
| FAC-003-1 | R4. | NA |
| FAC-008-1 | R1. | NA |
| FAC-008-1 | R2. | NA |
| FAC-008-1 | R3. | NA |
| FAC-009-1 | R1. | NA |
| FAC-009-1 | R2. | NA |
| FAC-014-1 | R1. | NA |
| FAC-014-1 | R2. | NA |
| FAC-014-1 | R3. | NA |
| FAC-014-1 | R4. | NA |
| FAC-014-1 | R5. | NA |
| 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 |
| IRO-004-1 | R4. | NA |
| IRO-004-1 | R5. | NA |
| IRO-004-1 | R6. | NA |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| 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. | C |
| PRC-004-1 | R2. | NA |
| PRC-004-1 | R3. | C |
| PRC-005-1 | R1. | PV |
| PRC-005-1 | R1.1 | PV |
| PRC-005-1 | R2. | C |
| PRC-008-0 | R1. | PV |
| PRC-008-0 | R2. | C |
| 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 |
| PRC-016-0 | R2. | NA |
| PRC-016-0 | R3. | NA |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| PRC-017-0 | R1. | NA |
| PRC-017-0 | R2. | NA |
| TOP-001-1 | R1. | NA |
| TOP-001-1 | R2. | NA |
| TOP-001-1 | R3. | NA |
| TOP-001-1 | R4. | PV |
| 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 |
| TOP-006-1 | R5. | NA |
| TOP-006-1 | R6. | NA |

| Reliability Standard | Requirement | Finding |
|----------------------|-------------|---------|
| TOP-006-1 | R7. | NA |
| TPL-001-0 | R1. | NA |
| TPL-001-0 | R2. | NA |
| TPL-001-0 | R3. | NA |
| TPL-002-0 | R1. | NA |
| TPL-002-0 | R2. | NA |
| TPL-002-0 | R3. | NA |
| TPL-003-0 | R1. | NA |
| 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 Conclusion

The Compliance Audit Team found that Weatherford Municipal Utility System was non-compliant with the following standards and requirements:

| Reliability Standard & Requirement |
|---|
| PRC-005-1, R1 (and R1.1) |
| PRC-008-0, R1 (Possible Violation subsequently negated) |
| TOP-001-1, R4 (Possible Violation subsequently negated) |

The possible compliance violations along with this compliance report will be provided to the regional entity compliance staff for processing through the NERC CMEP. Any further actions related to possible compliance violations will be through that process.

3.3. Compliance Culture

WMUS is a small organization of less than 40 people. The Director of Electric Utilities has direct access to the governing board and to all employees, so communication is direct. The compliance

program was informal in the sense that it did not contain the controls and procedures to directly or rigorously account for compliance to specific NERC Standards and Requirements.

| Internal Compliance Program (ICP) | | |
|--|---|------------------|
| 1 | Was well documented? | Insufficient |
| 2 | Was widely disseminated in the company? | Met Expectations |
| 3 | Had a named and staffed reliability compliance manager position (may be N/A)? | NA |
| 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? | No |
| 10 | Included appropriate and sufficient training for all relevant staff? | Met Expectations |
| 11 | Included formal, internal self-auditing for compliance on a set periodic basis? | Insufficient |
| 12 | Included disciplinary action for employees involved in violations? | NA |
| 13 | Included self-assessment and self-enforcement of internal controls to prevent reoccurrence of violations? | Insufficient |

ATTACHMENT A

DISMISSAL OF POSSIBLE VIOLATIONS FOR PRC-008-0 R1 AND TOP-001-1 R4

Compliance Audit Report
Weatherford Municipal Utility System
NERC ID # 04160

Audit Date: August 26-27, 2009
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: June 13, 2011
Prepared By: Mark Scovill, Audit Team Leader

Subsequent to the audit, after a review of audit records and registration history, the Texas RE Audit Team and the Texas RE Enforcement Staff agreed that PRC-008 compliance for 2007-2008 had been previously verified in a SPOT CHECK during which more complete evidence for compliance had been submitted by WMUS. For this reason the Possible Violation of R1, PRC-008-0 was negated.

Subsequent to the audit, after a review of audit records, registration history, and consistency of approach in auditing this standard, the Texas RE Audit Team and the Texas RE Enforcement Staff agreed that any Possible Violation of this requirement must be event-driven. Since no actual instance of failure to comply with a directive occurred, the Possible Violation of R4, TOP-001-1 was negated.

Based on this review of evidence, the Possible Violations of PRC-008-0 R1 and TOP-001-1 R4 for Brownsville Public Utility Board Silas Ray were dismissed by the Texas Reliability Entity Enforcement Group.