

CPS Energy

NERC ID # NCR04038

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date:	May 19 - 21, 2009
Audit Location:	San Antonio, TX
Report Date:	August 3, 2009
Prepared By:	Bill Lewis, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of CPS Energy (CPSE) was conducted on May 19 - 21, 2009. The NERC Reliability Standards that are being actively monitored for 2009 were reviewed based on CPSE's registration as a GO and GOP. CPSE's accepted and completed mitigation plans for self reported violations from 2007 were reviewed and validated. The audit team consisted of five representatives from Texas Regional Entity (Texas RE). Two representatives from the North American Electric Reliability Corporation (NERC) and three representatives from the Federal Energy Regulatory Commission (FERC) acted as observers. Based on the review of the documentation provided by CPSE and the interviews of CPSE's personnel, CPSE met all of the NERC Standard requirements reviewed during this audit.

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 CPSE's compliance with the requirements of the reliability standards that are applicable to CPSE based on the CPSE'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 CPSE'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 Generator Operator and Generator Owner. The audit was performed by five members of Texas RE with two observers from NERC and three observers from FERC.

The scope of the compliance audit also included the verification of all accepted and completed mitigation plans for CPSE's self reported violation from June 1, 2007 applicable to CPSE's registration as a GO.

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 CPSE's last audit as a GO and GOP 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 CPSE prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to CPSE. CPSE 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. CPSE accepted the audit team member participants with no objections.

2.3 Methodology

Once an audit date was set by Texas RE, CPSE 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 CPSE's management and supervisors. Texas RE's 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 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 the completion of CPSE's accepted and completed mitigation plans for CPSE's self reported violations.

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

2.4 Company Profile

CPS Energy is the nation's largest municipally owned provider of electric and natural gas energy and related services within Texas. CPS Energy owns and operates generation, transmission, and distribution facilities in Bexar County and portions of adjacent Atascosa, Bandera, Comal, Guadalupe, Kendall, Medina, and Wilson counties and serves more than 662,131 retail customers.

CPS Energy owns and operates 21 generation units at five different locations. CPS Energy also is the Qualified Scheduling Entity (QSE) for 501.8 MW of wind energy from West Texas and currently has plans to be the QSE for 342.3 MW of wind energy from South Texas. Currently, CPS Energy's electrical system has a total generation capacity of approximately 5,511 MW. CPS Energy's peak load of 4,407 MW occurred on August 17, 2006. CPS Energy also operates a transmission system with approximately 1,386 miles of transmission lines, 72 distribution substations, and 16 switching substations. The company's transmission system consists of a 138 KV network looped throughout the City of San Antonio that is supported by a 345 KV ring around the city. The CPS Energy system is directly interconnected to four neighboring service provider systems.

2.5 Audit Specifics

Audit Date: May 19 - 21, 2009
Audit Location: San Antonio, TX

Texas RE Audit Team:

Name	Company/Title
Bill Lewis	Texas RE/Audit Team Leader
Mark Scovill	Texas RE/Auditor
David Bueche	Texas RE/Auditor
Chris Humphreys	Texas RE/Auditor
Sarah Hensley	Texas RE/Auditor
Suzanna Strangmeier	NERC Observer
Craig Struck	NERC Observer
Kerry Clark	FERC Observer
Perry Servedio	FERC Observer
Romulo Barreno	FERC Observer

CPS Energy Audit Participants:

Name	Company/Title
Abelardo Samaniego Jr.	CPS Energy – Project Systems Analyst - EMOIT
Alicia Gomez	CPS Energy – Data Control Clerk – NERC Compliance
Artie Kocian	CPS Energy – Chief Operations Manager
Brenda Davis	CPS Energy – Audit Services
Bryan Adam	CPS Energy – Mgr. Energy Market IT
Camille Marbury	CPS Energy – Internal Auditor II
Carolyn Shellman	CPS – EVP & General Council
Cheryl Smith	CPS Energy – Energy Delivery Services CIP Program Manager
Ching S. Chen	CPS Energy – Market Operations Manager
Curt D. Brockman	CPS Energy – Sr. Council Legal Services
D. Gregg Brooks	CPS Energy – Energy Controller
Dave Moreno	CPS Energy – SCADA Mgr.
David Botts	CPS Energy – IT Auditor
David Detelich	CPS Energy – Mgr. Operations Analysis
David F. Aniol	CPS Energy – Manager Fossil Generation Planning
David Herbst	CPS Energy – Director of Generation Reliability
Dennis Martinez	CPS Energy – Manager of Operations
Don Barnett	CPS Energy – Director Maintenance
Edward Aranda	CPS Energy – SCADA Manager
Glenn Hargrave	CPS Energy – Manager System Protection
Glenn Pressler	CPS Energy – Compliance Mgr.
Guy Barrows	CPS Energy – Control Room Operator
Helen Madison	CPS Energy – Chief Audit and Ethics Officer
James Grimshaw	CPS Energy – EDS Compliance

Name	Company/Title
James Jackson	CPS Energy – Day Ahead Ops
Jeff Kruse	CPS Energy – Sr. Mgr. JKS
Jeffery Fiske	CPS Energy – Telecom Supervisor
John Kosub	CPS Energy – Project Mgr. Generation Research & Planning
Justino Escobar	CPS Energy –Energy Controller
Keith Albers	CPS Energy –Energy Controller
Kenneth Pawelek	CPS Energy – NERC Compliance
L. D. Hollingsworth	CPS Energy – Chief Risk Officer
Lauro Garza	CPS Energy – EDS Compliance
Les Barrow	CPS – Director EMO
Mark Luther	CPS Energy – Project Mgr. Engineering Services
Mark Vallier	CPS Energy – NERC Compliance
Mark Vallier	CPS Energy – Compliance
Matt Camargo	CPS Energy – Manager Controls & Electrical
Melanie Green	CPS Energy – Senior Manager Power Plant
Michael Gilbert	CPS Energy – Manager R. T. Ops.
Michael Maha	CPS Energy – Energy Controller
Michael Stolowski	CPS Energy – T & D Analyst
Mike Hayter	CPS Energy – Manager System Protection Technical Services
Mike Kotara	CPS – EVP Energy Division
Milton Lee	CPS – CEO
Pat Escobedo	CPS Energy – Sr. Council - Regulatory
Paul Martinez	CPS Energy – I & E Foreman
Ralph Reisdorph	CPS Energy – Plant Coordinator
Richard Castrejana	CPS – Sr. Director Operation
Richard Pena	CPS Energy –VP Fossil Generation
Robby Paysinger	CPS Energy – Plant Engineer
Robert B. Stevens	CPS Energy – Mgr. Compliance
Robert Rowe	CPS Energy – Security
Ron Matula	CPS Energy – Sr. Plant Manager
Ronda Reisdorph	CPS Energy – Plant Coordinator
Rusty Griffin	CPS Energy – Data Systems Mgr. – Fossil Generation
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Stephen Bone	CPS Energy – Supervisor Systems Ops.
Thomas Jordan	CPS Energy – EDS Systems Administration
Trena Wiseman	CPS Energy – Mgr. Systems Information Auditing
Trieu Vo	CPS Energy – Mgr. Systems Engineering
William Berne	CPS Energy – Security

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that CPSE was compliant with all 2009 actively monitored NERC Standards at the time of 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
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
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
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	N/A
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A
IRO-005-1	R6.	N/A
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A
IRO-005-1	R9.	N/A

Reliability Standard	Requirement	Finding
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A
IRO-005-1	R12.	N/A
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R4.	N/A
PRC-001-1	R5.	Compliant
PRC-001-1	R6.	N/A
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
TOP-001-1	R1.	N/A
TOP-001-1	R2.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	N/A
TOP-001-1	R5.	N/A
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	N/A
TOP-002-2	R1.	N/A
TOP-002-2	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	N/A
TOP-002-2	R5.	N/A
TOP-002-2	R6.	N/A
TOP-002-2	R7.	N/A
TOP-002-2	R8.	N/A
TOP-002-2	R9.	N/A
TOP-002-2	R10.	N/A
TOP-002-2	R11.	N/A
TOP-002-2	R12.	N/A

Reliability Standard	Requirement	Finding
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	N/A
TOP-002-2	R17.	N/A
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	N/A
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	N/A

3.2 Mitigation Plan Findings

The Compliance Audit Team found that CPSE completed the accepted mitigation plans listed below at the time of the audit.

The following table is a summary of the auditor's notes for verification of the accepted and completed mitigation plans for self reported violations of NERC standards reviewed during the audit:

Reliability Standard	Req	NERC Violation ID Number	Finding
PRC-005-1	R2	ERCOT200703156	Compliant

3.3 Conclusions

CPSE was found in compliance with all the standards that were audited. CPSE was found to have completed their mitigation plan of PRC-005 reviewed during the audit.

3.4 Compliance Culture

CPSE was cooperative with the audit team's needs and information requests throughout the entire audit process. The extensive participation during the audit by CPSE's personnel, including top management, the provided responses to the compliance culture questionnaire and the direct observations made by the audit team confirmed a strong commitment by CPSE to promote a healthy compliance culture.