

Brownsville Public Utility Board

NERC ID # NCR04018

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: January 28 and 29, 2009
Audit Location: Brownsville, Texas
Report Date: March 27, 2009
Prepared By: J. Frank Vick, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of Brownsville Public Utility Board was conducted on January 28 and 29, 2009. The NERC Reliability Standards that are being actively monitored for 2009 were reviewed based on BPUB's registration as a Transmission Owner, Transmission Planner and Distribution Provider. The audit team consisted of four representatives from Texas Regional Entity (Texas RE). Based on the review of documentation provided by BPUB and the interviews of BPUB's personnel, BPUB met all of the NERC Standard requirements.

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 BPUB's compliance with the requirements of the reliability standards that are applicable to BPUB based on the BPUB'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 BPUB'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, Transmission Planner and Distribution Provider. The audit was performed by four members of Texas RE.

Note: For the 2009 compliance program, the monitoring period for the compliance audit will generally be the last three years, the time since BPUB's last audit as a DP, TO, 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.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to BPUB prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to BPUB. BPUB was given an opportunity to object to an audit

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

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. BPUB accepted the audit team member participants with no objections.

2.3 Methodology

Once an audit date was set by Texas RE, BPUB 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 BPUB'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 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 conducted an exit briefing immediately following the audit with BPUB. The audit team verbally shared its preliminary results with BPUB's management.

2.4 Company Profile

The Brownsville Public Utilities Board (PUB) was formed by the City of Brownsville in 1960 to provide electrical, water, and wastewater services to its customers in the southernmost part of Texas, on the border with the Mexican state of Tamaulipas. Pursuant to the City's Charter, management, operation, and control of the City's combined water, wastewater and electric utilities systems were delegated to the Brownsville PUB. The Board of Directors is comprised of six members: five appointed by the City Commission for four-year terms and the City's Mayor serving as the sixth member (ex-officio). Currently, Brownsville PUB serves approximately 50,000 customers with quality water, sewer and electric utilities at very affordable rates.

Brownsville PUB is the only city-owned electric utility in the Rio Grande Valley. Our retail electric rates are generally among the lowest within the Electric Reliability Council of Texas (ERCOT) system and a portion of our margin from revenue generated is returned to the City for support of other municipal services. The utility owns generation, transmission and distribution facilities to serve its customers.

The electric system serves a growing customer base of approximately 50,000 customers and serves a peak load of 270 mega-watts (MW). Currently, the electric system's generation resources consists of the gas and oil-fired Silas Ray Power Production Facilities (total capability of 124 MW); an 18 percent interest in the coal-fired Oklaunion Unit 1 (122 MW capacity); a 21 percent interest in the natural gas-fired Hidalgo Energy Center (105 MW capacity); energy purchases through an energy power interchange agreement; and distributed generation of 11 MW. Fuel and transportation contracts with a variety of suppliers are in place, limiting the Brownsville PUB's exposure to the volatile fuel commodity markets. At this time, these resources are sufficient to cover peak demand.

Brownsville PUB owns 48 miles of transmission lines (138 kilovolt (kV)) and 679 miles of distribution lines (12.47 kV) to serve its certificated retail service area of approximately 133 square miles in Cameron County, within and outside the City limits. Small portions of the service area of two other utilities, American Electric Power Texas Central and Magic Valley Electric Cooperative, Inc., overlap with the Brownsville PUB service territory (totaling about 11.3 square miles). A total of 14 substations are utilized in the provision of electric service.

2.5 Audit Specifics

Audit Date: January 28 and 29, 2009
Audit Location: Brownsville, Texas

Texas RE Audit Team:

Name	Company/Title
J. Frank Vick	Texas RE/Audit Team Leader
Scott Jackson	Texas RE/Auditor
Dan Kueker	Texas RE/Auditor
David Bueche	Texas RE/Auditor

BPUB Audit Participants:

Name	Company/Title
Fernando Saenz	BPUB / Operations
Robert Avila	BPUB / Energy Control
Alonso Gonzalez	BPUB / Power Plant
Esteban M. Garza	BPUB
Cassandra Camarillo	BPUB
Lina L. Alvarez	BPUB
Paul Gonzalez	Davidson & Troilo / Outside Legal
Juan Vasquez Jr.	BPUB
Gustavo C. Leal	BPUB
Daniel Villegas	BPUB
Julian Ramirez	BPUB
Ramon Sanz	BPUB / Electrical Engineer
James McCann	BPUB

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that BPUB 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
FAC-001-0	R1.	Compliant
FAC-001-0	R2.	Compliant
FAC-001-0	R3.	Compliant
FAC-003-1	R1.	N/A
FAC-003-1	R2.	N/A
FAC-003-1	R3.	N/A
FAC-003-1	R4.	N/A
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-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
PRC-004-1	R1.	Compliant
PRC-004-1	R2.	N/A
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	Compliant
PRC-008-0	R2.	Compliant
PRC-010-0	R1.	Compliant
PRC-010-0	R2.	Compliant
PRC-011-0	R1.	Compliant
PRC-011-0	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.	N/A
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	N/A
TOP-001-1	R6.	N/A
TOP-001-1	R7.	N/A
TOP-001-1	R8.	N/A

Reliability Standard	Requirement	Finding
TPL-001-0	R1.	Compliant
TPL-001-0	R2.	Compliant
TPL-001-0	R3.	Compliant
TPL-002-0	R1.	Compliant
TPL-002-0	R2.	Compliant
TPL-002-0	R3.	Compliant
TPL-003-0	R1.	Compliant
TPL-003-0	R2.	Compliant
TPL-003-0	R3.	Compliant
TPL-004-0	R1.	Compliant
TPL-004-0	R2.	Compliant

3.2 Conclusion

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

3.3. Compliance Culture

Based on the information provided in the Audit General Information Request and the audit results, BPUB has a compliance program in place which promotes compliance within the company. BPUB was cooperative with all of the audit team's initial and additional information requests.