



Compliance Audit Report Public Audit Report

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

**El Paso Electric Company
(EPE)
NCR05140**

Audit Dates: February 2-6, 2009

Public Version Audit Report

FINAL - May 22, 2010

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Executive Summary

This EPE compliance audit report provides a record of EPE's compliance status as documented by the WECC Compliance Department during the On-site Audit of February 2-6, 2009. This report does not reflect any actions EPE may have taken since the on-site audit.

The Western Electricity Coordinating Council (WECC) Compliance Department conducted an On-site Compliance Audit of El Paso Electric (EPE) on February 2-6, 2009. The audit was conducted at EPE's offices in El Paso, Texas. The seven-member audit team was made up of four WECC Compliance staff and three WECC contractors. In addition, five observers attended. No staff members from the North American Electric Reliability Corporation (NERC) or Federal Energy Regulatory Commission (FERC) were present at the audit.

The audit began at approximately 1:30 p.m. on February 2 with introductions followed by a short presentation by the WECC audit team about the audit process, and an overview of EPE presented by EPE personnel. The audit then proceeded each day thereafter, concluding in the early afternoon on Friday, February 6, with an exit briefing to EPE personnel concerning preliminary audit findings.

The scope of the audit encompassed thirty-eight NERC Reliability Standards and six WECC Regional Reliability Standards.

EPE self-reported two compliance violations of BAL-005-0 R8, on December 21, 2007 and April 10, 2008. Mitigation Plans were successfully completed on December 21, 2007 and May 15, 2008 respectively. EPE submitted a Mitigation Plan for a possible violation of EOP-008-0 R1 identified during a spot check audit performed on November 18, 2008. EPE successfully completed this mitigation plan on January 31, 2009. Confirmation of completion of this Mitigation Plan was performed at the on-site audit on February 6, 2009.

During the audit, the audit team reviewed the Completed Mitigation Plan for EOP-008-0 R1 and confirmed completion. The WECC Compliance Department will send EPE formal documentation of the Mitigation Plan review status for EOP-008-0 R1.

In conducting the audit, the audit team used the NERC 2009 Reliability Standard Audit Worksheets to guide the compliance review for each reliability standard. The audit team also reviewed documentation provided by EPE and conducted interviews of EPE personnel. Taken together, this information forms the factual basis in support of the audit findings and conclusions.

The two new possible violations, along with the on-site compliance audit report, will be sent to the WECC Compliance Department for processing through the WECC Compliance Monitoring and Enforcement Program (CMEP). If the WECC Compliance

Department independently determines that violations have occurred, these possible violations will become Alleged Violations, and EPE and NERC will be notified of the initiation of formal Enforcement action via a Notice of Alleged Violation and Proposed Penalty or Sanction.

<http://www.nerc.com/filez/enforcement/index.html>

Audit Process

The compliance audit process steps are detailed in both the WECC and NERC Compliance Monitoring and Enforcement Programs.

Objectives

Each Registered Entity is subject to audit for compliance with all reliability standards applicable to the functions for which the entity is registered.¹ The audit objectives are to:

- Independently review EPE's compliance with the requirements of the reliability standards that are applicable to EPE based on EPE's registered functions
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored reliability standards
- Validate compliance with WECC regional standards
- Document EPE's compliance culture and Internal Compliance Program.

Scope

A compliance audit includes all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity. Each region may add to the NERC Actively Monitored Standards List as appropriate to specific reliability issues for that region.

For the 2009 compliance program, the monitoring period for the compliance audit will generally be the past eighteen months, or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

The EPE audit scope involved the audit of thirty-eight NERC Reliability Standards and six WECC Regional Reliability Standards.

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

Confidentiality and Conflict of Interest

Confidentiality agreements, executed by the WECC independent contractors, and code of conduct documentation for the WECC compliance staff were provided to EPE at the audit. Work histories submitted by audit team members were provided to EPE prior to the audit. EPE 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. EPE accepted the audit team member participants with no objections.

On-site Audit

On-site audits of Reliability Coordinators (RCs), Balancing Authorities (BAs), and Transmission Operators (TOPs) are conducted on a three-year cycle. EPE is registered as a BA, TOP, Transmission Owner (TO), Transmission Planner (TP), Generation Operator (GOP), Generation Owner (GO), Load Serving Entity (LSE), Distribution Provider (DP), Planning Authority (PA), Purchasing Selling Entity (PSE), Resource Planner (RP) and Transmission Service Provider (TSP). Therefore, EPE is subject to an on-site audit every three years.

EPE was officially notified of the February 2-6, 2009 on-site audit on December 4, 2008. Accompanying this notification were the following documents:

- Pre-Audit Introduction Letter
- Notice of Compliance Audit (an explanation of Compliance Monitoring Authority and Registered Entity Obligations regarding collection of data and information necessary to assess compliance with approved reliability standards)
- WECC Compliance Audit Team Biographies
- Pre-Audit Questionnaire
- Questionnaire and Reliability Standard Audit Worksheets
- Authorized Entity Officer Certification Form

The Pre-Audit Introduction Letter (Introduction Letter) notified EPE that EPE would be required to make subject matter experts (SMEs) representing all registered functions available during the audit to answer questions from the audit team regarding the documentation provided by EPE. EPE was also informed that the on-site compliance audit would be conducted consistent with the following WECC Regional and NERC documents:

- WECC Compliance Monitoring and Enforcement Program
- NERC Questionnaire and Reliability Standard Audit Worksheets

The Introduction Letter also informed EPE that the audit team could expand the scope of the audit at the request of the audit team lead during the audit overview meeting.

EPE was also requested to complete Pre-Audit Questionnaires and provide certain requested documents with WECC prior to the audit. These requested documents included:

- Sabotage Reporting Procedure (CIP-001-1)
- Capacity and Energy Emergency Plan (EOP-002-2)
- Automatic and Manual Load Shed Plan or Procedure (EOP-003-1)
- System Restoration Plan (EOP-005-1)
- Loss of Primary Control Center Plan (EOP-008-0)
- Vegetation Management Plan (FAC-003-1)
- Operator Training Program (PER-002-0)
- Planning Studies and Assessment (TPL Standards)
- List of NERC Certified Operators and Certification Numbers
- Monthly DCS and CPS records from June 2007

The Pre-Audit Questionnaires provide guidance to the audit team concerning where to look in the documentation for evidence of compliance with each of the reliability standards. EPE completed the Pre-Audit Questionnaires and sent them to WECC approximately 7 business days prior to the on-site audit.

Methodology

The audit methodology includes best practices that are to be followed by compliance auditors in carrying out their work. These practices should be objective, measurable, complete and relevant to the audit objectives. The auditors should identify potential sources of audit evidence and consider the amount and type of evidence needed to determine findings.

Audit Overview

Depending on the size of the entity being audited, on-site audits typically begin with an opening meeting at 1:30 p.m. on a Monday and conclude with an exit presentation of preliminary findings around 3:00 p.m. on Friday.

Audit

The audit began at approximately 1:30 p.m. on February 2 with the opening meeting. The audit team began its review of evidence at 2:30 p.m. and continued through Thursday afternoon at 5:00 p.m. Adjustments were made to the original schedule to accommodate interviews and requests for additional documentation. The audit team broke into sub-teams of two or three auditors to complete the review for each reliability standard. At least twice a day, the audit team reviewed and discussed preliminary findings to ensure the entire team concurred with each sub-team's findings.

EPE was flexible in having subject matter experts available for interviews. The interviews were conducted in designated adjacent conference rooms or at the control center and not in the main audit room. One of the sub-teams conducted a Control Room visit on Thursday afternoon. These auditors determined EPE System Controllers had appropriate tools and visibility to conduct their assigned tasks in a reliable manner.

The audit team did not complete its review of NERC Standards PER-002-0 and PER-003-0 during the on-site portion of the audit because the documentation initially provided as evidence of compliance with these standards was composed of a large volume of source material which was difficult and time consuming to review. The audit team therefore requested that EPE provide additional documentation, including summary spreadsheets as well as clarifications to the initial documentation. EPE complied with the auditor's request and this information was received as requested on Friday morning so, with concurrence of the audit team lead, the audit team completed the audit for these two standards on Monday, February 9th in the WECC Compliance Department Office in Vancouver, Washington. Results of the audit of PER-002-0 and PER-003-0 were subsequently communicated to EPE and are included in the findings section of this audit report.

Exit Briefing

On February 6, at 10:00 a.m., the Audit Team Lead provided a closing presentation to EPE staff and executives. The presentation included a summary of the preliminary audit findings and audit team comments on the evidence provided. Each auditable reliability standard was addressed and the audit team's preliminary findings were shared with EPE. The presentation included a summary of post audit activities for the audit team and WECC Compliance staff. EPE was advised that possible violations could become Alleged Violations if confirmed by the WECC Compliance Department. The Audit Team Lead also discussed the development process and timing associated with the draft and final audit reports, as well as EPE's appeal options.

Audit Specifics

The EPE compliance audit was conducted on February 2-6, 2009 at El Paso Electric's Offices in El Paso, Texas.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Engineer	WECC
Member	Senior Compliance Engineer	WECC
Member	Senior Compliance Engineer	WECC
Member	Contractor	WECC
Member	Contractor	WECC

Member	Contractor	WECC
Member	Compliance Program Coordinator	WECC
Observer	Compliance Program Coordinator	WECC
Observer	Compliance Engineer	WECC
Observer	Manager Compliance audits & Investigations	WECC
Observer	Acting Manager of Enforcement	WECC
Observer	Associate General Counsel for Compliance	WECC

EPE Audit Participants

Title	Company
Vice President	System Operations & Planning
Manager	NERC Reliability Compliance
Supervisor	Energy Analysis
Supervisor	EMS Support
AVP	System Operations
Manager	Power Plant, Power Generation – Rio Grande Power Plant
Manager	Power Generation – Newman Power Plant
Real Time Trading	Power Marketing and Fuels
Principal Communications Engineer	Communications
Manager	Communications
Manager	System Control
Manager	System Planning
Principal Engineer	System Planning
Principal Electrical Engineer	Power Generation – Rio Grande Plant
Electrical Engineer	Power Generation – Newman Plant
Supervisor, Plant Operations	Power Generation – Newman Plant
Supervisor, Plant Operations	Power Generation- Rio Grande Plant
Resource Planning Manager	Power Generation
Manager Transmission Line Design	Transmission and Distribution
Supervisor	Relay Construction/Maintenance
Power System Engineer	System Control
Supervisor	Instrumentation & Control, Power Generation
Supervisor	Instrumentation & Control, Power Generation
Supervisor Substation Maintenance	Relay & Substation Department

Supervisor, Project Engineering	Power Generation- Rio Grande Plant
Principal Mechanical Engineer	Power Generation – Newman Plant
Compliance Professional	EPE NERC Reliability Compliance
Compliance Engineer	EPE NERC Reliability Compliance
Compliance Engineer	EPE NERC Reliability Compliance

Audit Results

The audit team reviewed and validated all EPE evidence, including additional evidence requested and provided during the on-site audit, and interviews with EPE subject matter experts.

The audit team spent significant time reviewing the evidence, findings, and conclusions. An extensive review of EPE procedures, descriptions of processes, transactions, and records was also conducted.

Professional judgments were made by the audit team during the overall assessment of the evidence, and included a determination of whether the evidence was sufficient and appropriate to confirm compliance with the NERC Reliability Standards and WECC Regional Reliability Standards.

Communications with the EPE Compliance Manager were ongoing during the audit.

In conducting the audit, the audit team used the NERC 2009 Reliability Standard Audit Worksheets to guide the compliance review for each reliability standard. The audit team also reviewed documentation provided by EPE and conducted interviews of EPE personnel. Taken together, this information forms the factual basis in support of the audit findings and conclusions.

Findings

The “Finding” column contains one of the following: Compliant, Possible Violation (PV), New Possible Violation (NPV), Not Applicable (NA), Not Audited, Outstanding Alleged Violation (OAV), Retraction requested (Retract), Self-reported Violation (Self-Report), or other appropriate description.

Reliability Standard	Requirement	Finding
BAL-002-0	R1.	Compliant
	R2.	N/A
	R3.	N/A

Reliability Standard	Requirement	Finding
	R4.	N/A
	R5.	N/A
	R6.	N/A
BAL-STD-002-0	WR1.	Compliant
BAL-005-0b	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
	R8.	Compliant
	R9.	Compliant
	R10.	Compliant
	R11.	Compliant
	R12.	Compliant
	R13.	Compliant
	R14.	Compliant
	R15.	Compliant
	R16.	Compliant
	R17.	NPV
CIP-001-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
COM-001-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	N/A
COM-002-2	R1.	Compliant

Reliability Standard	Requirement	Finding
	R2.	Compliant
EOP-001-0	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
EOP-002-2	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
	R8.	N/A
	R9.	N/A
EOP-003-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
	R8.	Compliant

Reliability Standard	Requirement	Finding
EOP-005-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
	R8.	N/A
	R9.	N/A
	R10.	N/A
	R11.	Compliant
EOP-008-0	R1.	Compliant
FAC-001-0	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
FAC-003-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
FAC-008-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
FAC-009-1	R1.	Compliant
	R2.	Compliant
FAC-010-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
FAC-014-1	R1.	N/A
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant

Reliability Standard	Requirement	Finding
	R5.	Compliant
	R6.	Compliant
IRO-001-1	R1.	N/A
	R2.	N/A
	R3.	N/A
	R4.	N/A
	R5.	N/A
	R6.	N/A
	R7.	N/A
	R8.	Compliant
	R9.	N/A
IRO-004-1	R1.	N/A
	R2.	N/A
	R3.	Compliant
	R4.	Compliant
	R5.	N/A
	R6.	N/A
	R7.	Compliant
IRO-005-1	R1.	N/A
	R2.	N/A
	R3.	N/A
	R4.	N/A
	R5.	N/A
	R6.	N/A
	R7.	N/A
	R8.	Compliant
	R9.	N/A
	R10.	N/A
	R11.	N/A
	R12.	N/A
	R13.	Compliant
	R14.	Compliant

Reliability Standard	Requirement	Finding
	R15.	N/A
	R16.	N/A
	R17.	N/A
IRO-006-3	R1.	N/A
	R2.	N/A
	R3.	N/A
	R4.	N/A
	R5.	N/A
	R6.	Compliant
IRO-STD-006-0	WR1.	Compliant
PER-001-0	R1.	Compliant
PER-002-0	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
PER-003-0	R1.	Compliant
PRC-001-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
PRC-004-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
PRC-005-1	R1.	Compliant
	R2.	Compliant
PRC-STD-005-1	WR1.	Compliant
PRC-008-0	R1.	Compliant
	R2.	Compliant
PRC-017-0	R1.	Compliant
	R2.	Compliant

Reliability Standard	Requirement	Finding
TOP-001-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
	R8.	Compliant
TOP-002-2	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
	R8.	Compliant
	R9.	Compliant
	R10.	Compliant
	R11.	Compliant
	R12.	Compliant
	R13.	Compliant
	R14.	Compliant
	R15.	Compliant
	R16.	Compliant
	R17.	Compliant
	R18.	Compliant
	R19.	Compliant
TOP-004-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant

Reliability Standard	Requirement	Finding
	R6.	Not Audited
TOP-006-1	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant
	R7.	Compliant
TOP-007-0	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	N/A
TOP-008-0	R1.	Compliant
	R2.	Compliant
	R3.	Compliant
	R4.	Compliant
TOP-STD-007-0	WR1.	Compliant
TPL-001-0	R1.	Compliant
	R2.	Not Audited
	R3.	Not Audited
TPL-002-0	R1.	Compliant
	R2.	Not Audited
	R3.	Not Audited
TPL-003-0	R1.	Compliant
	R2.	Not Audited
	R3.	Not Audited
VAR-001-1	R1.	Compliant
	R2.	Compliant
	R3.	NPV
	R4.	Compliant
	R5.	Compliant
	R6.	Compliant

Reliability Standard	Requirement	Finding
	R7.	Compliant
	R8.	Compliant
	R9.	Compliant
	R10.	Compliant
	R11.	Compliant
	R12.	Compliant
VAR-STD-002a-1	WR1.	Compliant
VAR-STD-002b-1	WR1.	N/A

Compliance Culture

Information regarding EPE's compliance culture was obtained from the Pre-Audit Questionnaire completed by EPE prior to the audit. In addition, members of the audit team met with the EPE management team to assess EPE's Internal Compliance Program (ICP).