

Compliance Audit Report Public Version

City of Lockhart, Texas

NERC ID # NCR10236

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

Audit Date: September 28-30, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: December 3, 2010
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of City of Lockhart, Texas (Lockhart) was conducted on September 28-30, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Lockhart's registration as a Distribution Provider.

The audit team reviewed the NERC Reliability Standards for the period of time identified in the scope of the audit. The audit team consisted of two representatives from Texas Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Lockhart and conducted interviews with Lockhart's personnel to assess compliance with standards applicable to Lockhart at this time.

There were a total of Eight (8) reliability standards included in the scope of this audit consisting of twenty three (23) requirements. Based on the information and documentation provided by Lockhart, the audit team found Lockhart to be compliant with three (3) applicable requirements. The audit team determined that twenty (20) requirements were not applicable to Lockhart.

Lockhart met all of the NERC Standard requirements that were within the scope of this audit. These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit and therefore none were reviewed by the audit team.

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 Lockhart's compliance with the requirements of the reliability standards that are applicable to Lockhart based on the Lockhart registered functions included in the scope of this audit.
- Validate compliance with applicable reliability standards from the NERC 2010 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.
- Document Lockhart's compliance culture.

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

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 2010 and any others that may be identified by the audit team at the time of the audit applicable to a Distribution Provider. The audit was performed by two members of Texas RE.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff for City of Lockhart, Texas and therefore none were reviewed by the audit team.

Note: For the 2010 compliance program, the monitoring period for the compliance audit will generally be the last six years based the Lockhart's registration as a Distribution Provider, or periods specified in individual reliability standards.

At the time of the audit, Lockhart was registered as a Distribution Provider. The audit team evaluated Lockhart for compliance during the specific period of April 7, 2008 to September 28, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Lockhart prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to Lockhart. Lockhart 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. Lockhart had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants with no objections. There have been no denials of or access limitations placed upon this audit team by Lockhart.

2.3 Methodology

Once an audit date was set by Texas RE, Lockhart was sent a Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards.

The audit team reviewed the completed RSAWs, information, data, and evidence submitted by Lockhart and assessed compliance with requirements of the applicable reliability standards. Initial submittal of information and data were sent to Texas RE on or before the scheduled due date for the submittal. Additional information relevant to the audit could be requested by Texas RE and submitted by Lockhart until the last day of the review at the audit site.

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with Lockhart's management and supervisors. The audit team reviewed documentation provided by Lockhart that included data, information and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. which were validated, substantiated and cross checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electrical System (BES).

The Texas RE audit team interviewed operations, IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by Lockhart and verify documentation.

Findings were based on the audit team’s knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the audit team.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE’s compliance staff for City of Lockhart, Texas and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Lockhart is a Municipal Electric System currently supplied by the LCRA interconnected transmission system at one transformation point. Lockhart is a Distribution Service Provider and does not own, operate and/or maintain any of the following:

1. An Underfrequency Load Shedding (UFLS) program or equipment
2. An Undervoltage Load Shedding (UVLS) program or equipment
3. A Special Protection System (SPS) program or equipment
4. Any transmission or generator protection system or equipment of any sort

Pursuant to the NERC Statement of Compliance Registry Criteria (Revision 5.0), Lockhart’s Distribution Provider (DP) registration is based solely upon the Section III.b.1 criterion (Distribution Provider serving greater than 25 MW of peak load that is directly connected to the bulk power system).

2.5 Audit Specifics

Audit Date: September 28-30, 2010
 Audit Location: Texas Reliability Entity Office, Austin, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Engineer I	Audit Team Leader
Texas RE/Compliance Engineer III	Auditor

Lockhart’s Audit Participants:

Company	Title
Lockhart	Finance Manager
Schneider Engineering	Senior Project Engineer
Schneider Engineering	Senior Staff Assistant

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Lockhart was compliant with all 2010 actively monitored NERC Standards reviewed at the time of the audit.

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

Reliability Standard	Requirement	Finding
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
PRC-004-1	R1.	N/A
PRC-004-1	R2.	N/A
PRC-004-1	R3.	N/A
PRC-005-1	R1.	N/A
PRC-005-1	R2.	N/A
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
PRC-010-0	R1.	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A
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

3.2 Mitigation Plan Findings

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE’s compliance staff and therefore none were reviewed by the audit team.

3.3 Conclusion

Lockhart was found compliant with the all the standards that were included in the scope of this audit.

There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

3.4. Compliance Culture

Lockhart's compliance culture was reviewed by the audit team.

Lockhart was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of Lockhart, the participation during the audit by Lockhart's personnel, the responses provided to the compliance culture survey, the documentation of procedures and records, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by Lockhart to promote a healthy compliance culture within the organization. Lockhart management's efforts for this audit were extremely helpful and were well supported by SME's and contractors who prepared and participated during the audit process.

Additional detailed information pertaining to the compliance culture of Lockhart can be found in the Internal Compliance Survey.