



Compliance Audit Report Public Version

Southwestern Public Service Co.

NERC ID# NCR01145

NERC ID# NCR05528

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

Date of Audit: November 8 - 11, 2010

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Executive Summary

A compliance audit of Southwestern Public Service Co. (SPS), NERC ID # - NCR01145 was conducted from November 8 - 11, 2010. At the time of the audit, SPS was registered for the Balancing Authority (BA), Distribution Provider (DP), Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), Resource Planner (RP), Transmission Operator (TOP), Transmission Owner (TO), Transmission Planner (TP), and Transmission Service Provider (TSP) functions. This audit also included Southwestern Public Service Company (NCR05528) which is a PSE in WECC.

The audit team evaluated SPS for compliance with 143 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of September 20, 2007 to November 11, 2010. SPS submitted information and documentation for the audit team's evaluation of compliance with the requirements. The audit team reviewed and evaluated all information provided by SPS to assess compliance with standards applicable to SPS at this time.

Based on the information and documentation provided by SPS, the audit team found SPS to have no findings of non-compliance with 132 applicable requirements. The audit team determined that 11 requirements were not applicable to SPS. The audit team identified 0 Possible Violation(s). There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

Any Possible Violations were processed through the NERC and Southwest Power Pool Regional Entity (SPP RE) CMEP. The following is a link to the general NOP page located on the NERC public website: <http://www.nerc.com/filez/enforcement/index.html>

Audit Process

The compliance audit process steps are detailed in the SPP RE CMEP. The SPP RE CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.* The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to SPS, based on the functions that SPS is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SPP RE;
- Validate compliance with applicable regional standards from the SPP RE 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document SPS's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the SPP RE 2010 Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit. The audit included an operator interview; the audit team visited the main and back-up control centers.

At the time of the audit, SPS was registered for the functions of Balancing Authority (BA), Distribution Provider (DP), Generator Operator (GOP), Generator Owner (GO), Load-Serving Entity (LSE), Purchasing-Selling Entity (PSE), Resource Planner (RP), Transmission Operator (TOP), Transmission Owner (TO), Transmission Planner (TP), and Transmission Service Provider (TSP). The audit team evaluated SPS for compliance during the period of September 20, 2007 to November 11, 2010. Additional, SPS (NCR05528) is registered as a PSE in WECC.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the SPP RE Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. SPS was informed of SPP RE's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to SPS. SPS was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. SPS had not submitted any objections by the stated

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

fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by SPS.

Methodology

The audit team reviewed the information, data, and evidence submitted by SPS and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SPP RE 30 days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by SPS. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. 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 electric system (BES).

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.

Company Profile

SPS along with Northern States Power of Wisconsin and Minnesota (NCR01020) and Public Service Company of Colorado (PSCo, NCR0521) are subsidiaries of Xcel Energy Inc (NYSE:XEL). Xcel Energy performs administrative and general services for SPS and its other subsidiaries. While SPS operates in the SPP RE region, Public Service of Colorado operates in the Western Electricity Coordinating Council (WECC) region and the Northern States Power Companies operate in the Midwest Reliability Organization (MRO) region. Some of the Xcel Energy subsidiaries also provide natural gas distribution.

SPS serves approximately 396,000 customers in a 52,000 square mile service area in southeastern New Mexico, the Texas Panhandle, portions of Oklahoma, and a small part of Kansas.

SPS is a summer peaking utility and its all time summer peak BA demand was 5,575 MW in August 2010. SPS owns approximately 5,016 megawatts of regulated generating capacity and has an additional 2,687 megawatts of IPP capacity in its Balancing Authority Area.

SPS's system includes about 618 miles of 345 kV, 1770 miles of 230 kV, and 2769 miles of 138 kV transmission lines. SPS has 6 BES AC transmission interconnection points with neighboring utilities: two 345 kV interconnection points with Public Service of Oklahoma and Sunflower

Electric, one 230 kV interconnection with Public Service of Oklahoma, and three 115 kV interconnection points, two with Public Service of Oklahoma and one with Sunflower Electric. It also has three HVDC ties; one 345 kV tie with Public Service Colorado and two 230 kV ties with Public Service of New Mexico and El Paso Electric. SPS has a total of 166 interconnection points at voltages of 12.5 kV and above with neighboring Load Serving Entities.

SPS also conducts the Purchasing Selling Entity Function in WECC

Southwest Power Pool (SPP), NCR01143, is the Reliability Coordinator, Interchange Authority, and Planning Coordinator for SPS. SPS is a member of the SPP Reserve Sharing Group and a participant in the SPP Energy Imbalance market.

Audit Participants

The following is a listing of all personnel from the Audit Team and SPS who were present during the meetings or interviews.

Audit Team Participants

Role	Title	Entity
Audit Team Lead	Lead Compliance Specialist	SPP RE
Team Member	Senior Compliance Engineer	SPP RE
Team Member	SPP RE Consultant	Scott Porteous & Associates Inc.
Team Member	SPP RE Consultant	Scott Porteous & Associates Inc.
Observer	SPP RE General Manager	SPP RE
Observer	Senior Compliance Engineer	SPP RE

SPS Audit Participants

Title	Entity
Integrator III Electric EMS/SCADA	SPS
Director, Substation Construction	SPS
Sr. Security Manger	SPS
Manager Commercial Operations Projects & Compliance	SPS
Training Coordinator	SPS
Transmission Compliance Coordinator	SPS
Principal Consultant, Energy Supply	SPS
Principal Specialty Engineer	SPS
Lead Telecom Technician	SPS

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Director, Veg Management & Ancillary Programs	SPS
Director, Regulatory Administration & Compliance	SPS
Senior Consultant, Transmission Policy and Compliance	SPS
Manager, System Protection	SPS
Vice President Technical Services	SPS
Manager, Transmission Asset Management	SPS
Principal Specialty Engineer	SPS
Manager, Transmission Control Center and Wind Integration	SPS
Manager, System Engineering	SPS
System Operator	SPS
Compliance Coordinator	SPS
President and CEO, SPS	SPS
Compliance Coordinator	SPS
Engineer, System Protection Engineering	SPS
Senior Specialty Engineer, Transmission Asset Management	SPS
Manager, Reliability Standards Compliance	SPS
Senior Consultant, Transmission Policy and Compliance	SPS
Manager, Operations Support	SPS
Supervisor, System Protection Engineering	SPS
Sr. Solutions Consultant	SPS
Manager Reliability Standards	SPS
Supervisor, Maintenance Resources	SPS
Network Reliability Lead	SPS
Manager Transmission Operations and Engineering	SPS
System Operator	SPS
Sr. Specialty Engineer, Transmission Asset Management	SPS
Director, Transmission Business Operations	SPS
Protection Services Consultant	SPS
Transmission Compliance Coordinator	SPS
Manager, Substation Protection	PSCo
Specialist, VMS Business System	SPS
Sr. CAD Operator, Engineering & Design	SPS
Manager, Substation Compliance	SPS
Manager, Transmission Design	SPS
Sr. Engineer, Transmission & Substation Performance	SPS
Senior Consultant, Transmission Policy and Compliance	SPS
Manager – Substation Engineering & Design	SPS
Supervisor I, Vegetation Management	SPS
Director, Compliance Monitoring and Policy	SPS

Audit Results

The audit team evaluated SPS for compliance with 143 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of September 20, 2007 to November 11, 2010. SPS submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by SPS to assess compliance with standards applicable to SPS at this time.

Based on the information and documentation provided by SPS, the audit team found SPS to have no findings of non-compliance with 132 applicable requirements. The audit team determined that 11 requirements were not applicable to SPS. The audit team identified 0 Possible Violation(s).

Findings

The following details the findings for compliance for the scope identified for this audit.

Reliability Standard	Req.	Finding
BAL-002-0	R1	No Finding
BAL-002-0	R3	No Finding
BAL-003-0.1b	R1	No Finding
BAL-003-0.1b	R2	No Finding
BAL-003-0.1b	R5	No Finding
BAL-005-0.1b	R2	No Finding
BAL-005-0.1b	R10	Not Applicable
CIP-001-1	R1	No Finding
CIP-001-1	R2	No Finding
CIP-001-1	R3	No Finding
CIP-001-1	R4	No Finding
COM-001-1.1	R1	No Finding
COM-001-1.1	R5	No Finding
COM-002-2	R1	No Finding
COM-002-2	R2	No Finding
EOP-001-0	R1	No Finding
EOP-002-2.1	R1	No Finding
EOP-002-2.1	R2	No Finding
EOP-002-2.1	R3	No Finding
EOP-002-2.1	R4	No Finding
EOP-002-2.1	R5	No Finding
EOP-002-2.1	R6	No Finding
EOP-002-2.1	R7	No Finding
EOP-002-2.1	R9	No Finding
EOP-003-1	R1	No Finding

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EOP-003-1	R2	No Finding
EOP-003-1	R3	No Finding
EOP-003-1	R4	No Finding
EOP-003-1	R5	No Finding
EOP-003-1	R6	No Finding
EOP-003-1	R7	No Finding
EOP-003-1	R8	No Finding
EOP-005-1	R1	No Finding
EOP-005-1	R2	No Finding
EOP-005-1	R3	No Finding
EOP-005-1	R4	No Finding
EOP-005-1	R5	No Finding
EOP-005-1	R6	No Finding
EOP-005-1	R7	No Finding
EOP-005-1	R9	No Finding
EOP-005-1	R11	No Finding
EOP-008-0	R1	No Finding
FAC-001-0	R1	No Finding
FAC-001-0	R2	No Finding
FAC-001-0	R3	No Finding
FAC-002-0	R1	No Finding
FAC-003-1	R1	No Finding
FAC-003-1	R2	No Finding
FAC-008-1	R1	No Finding
FAC-008-1	R2	No Finding
FAC-008-1	R3	No Finding
FAC-009-1	R1	No Finding
FAC-009-1	R2	No Finding
FAC-014-2	R1	No Finding
IRO-001-1.1	R8	No Finding
IRO-004-1	R3	Not Applicable
IRO-004-1	R4	No Finding
IRO-004-1	R7	No Finding
IRO-005-2	R8	No Finding
IRO-005-2	R13	No Finding
IRO-006-4	R5	No Finding
NUC-001-2	R1	Not Applicable
NUC-001-2	R2	Not Applicable
NUC-001-2	R3	Not Applicable
NUC-001-2	R4	Not Applicable
NUC-001-2	R5	Not Applicable
NUC-001-2	R6	Not Applicable
NUC-001-2	R7	Not Applicable
NUC-001-2	R8	Not Applicable
NUC-001-2	R9	Not Applicable

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PER-001-0	R1	No Finding
PER-002-0	R1	No Finding
PER-002-0	R2	No Finding
PER-002-0	R3	No Finding
PER-002-0	R4	No Finding
PER-003-0	R1	No Finding
PRC-001-1	R1	No Finding
PRC-001-1	R2	No Finding
PRC-001-1	R3	No Finding
PRC-001-1	R4	No Finding
PRC-001-1	R5	No Finding
PRC-001-1	R6	No Finding
PRC-004-1	R1	No Finding
PRC-004-1	R2	No Finding
PRC-005-1	R1	No Finding
PRC-005-1	R2	No Finding
PRC-008-0	R1	No Finding
PRC-008-0	R2	No Finding
PRC-017-0	R1	No Finding
TOP-001-1	R1	No Finding
TOP-001-1	R2	No Finding
TOP-001-1	R3	No Finding
TOP-001-1	R4	No Finding
TOP-001-1	R5	No Finding
TOP-001-1	R6	No Finding
TOP-001-1	R7	No Finding
TOP-001-1	R8	No Finding
TOP-002-2A	R1	No Finding
TOP-002-2A	R2	No Finding
TOP-002-2A	R3	No Finding
TOP-002-2A	R4	No Finding
TOP-002-2A	R5	No Finding
TOP-002-2A	R6	No Finding
TOP-002-2A	R11	No Finding
TOP-002-2A	R13	No Finding
TOP-002-2A	R14	No Finding
TOP-002-2A	R15	No Finding
TOP-002-2A	R16	No Finding
TOP-002-2A	R17	No Finding
TOP-002-2A	R18	No Finding
TOP-002-2A	R19	No Finding
TOP-003-0	R1	No Finding
TOP-003-0	R2	No Finding
TOP-003-0	R3	No Finding
TOP-004-2	R1	No Finding

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TOP-004-2	R2	No Finding
TOP-004-2	R4	No Finding
TOP-004-2	R5	No Finding
TOP-006-1	R2	No Finding
TOP-006-1	R6	No Finding
TOP-006-1	R7	No Finding
TOP-007-0	R1	No Finding
TOP-007-0	R2	No Finding
TOP-007-0	R3	No Finding
TOP-008-1	R1	No Finding
TOP-008-1	R2	No Finding
TOP-008-1	R3	No Finding
TPL-001-0.1	R1	No Finding
TPL-002-0	R1	No Finding
TPL-003-0	R1	No Finding
VAR-001-1	R1	No Finding
VAR-001-1	R2	No Finding
VAR-001-1	R5	No Finding
VAR-001-1	R7	No Finding
VAR-001-1	R8	No Finding
VAR-001-1	R9	No Finding
VAR-001-1	R10	No Finding
VAR-001-1	R12	No Finding
VAR-002-1.1A	R1	No Finding
VAR-002-1.1A	R2	No Finding
VAR-002-1.1A	R3	No Finding
VAR-002-1.1A	R4	No Finding
VAR-002-1.1A	R5	No Finding

Compliance Culture

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

SPS stated that Xcel Energy has implemented a FERC/NERC Compliance Program to monitor and oversee compliance with various FERC requirements, including the FERC-approved mandatory reliability standards by the Xcel Energy Operating Companies. The compliance program is within Regulatory and Resource Planning, which in turn is under the organization of the President and COO. The compliance staff reports to the Director of Regulatory Administration and Compliance who reports to the Vice President of Regulatory and Resource Planning, who in turn has direct access to the company president.

According to SPS, the program is also overseen by a Steering Committee comprised of high-level Xcel Energy executives. The FERC/NERC Compliance Program falls under the general oversight of the Xcel Energy Corporate Compliance and Business Conduct program. The purpose of this program is to promote a culture across Xcel Energy that encourages ethical conduct and a commitment to compliance with the law. In addition, the FERC/NERC Compliance Program reports to the Xcel Energy Operations Council at least annually.

By locating the program in Regulatory and Resource Planning, it has independence from functional unit personnel responsible for complying with the NERC and regional reliability standards on a day-to-day basis.

SPS stated in the Pre-compliance Survey that the program is currently allocated 4.5 FTEs which they believe is adequate.

Xcel Energy has assigned a Standard "owner" and Requirement "owner" for each mandatory Standard and Requirement. The owners were present at all of the interviews for the appropriate requirements with one attending by teleconference. Training regarding compliance responsibilities and the need for documentation was provided to identified NERC reliability Standard and Requirement owners and other relevant staff through Xcel Energy computer-based Learning Management System. The training material was used to support compliance for some requirements, for training, or to demonstrate that the material was supplied to the appropriate staff.

From audit team observation, the audit team concludes that the SPS compliance program is supported by the parent company organization, Xcel Energy. Each of the individual subsidiary organization's compliance programs is supported by Xcel Energy staff. This allows each of the individual subsidiaries to support and compliment the efforts of the other organizations. The training programs leverage off of each other which adds a depth of training development to each of the individual organizations. Xcel Energy operates in three regions. Other operating companies had audits conducted by WECC and MRO in addition to a previous SPP RE audit since the start of the mandatory program. Xcel Energy has done an excellent job of addressing concerns raised in one audit in all the operating companies. Xcel Energy also brings their staff from the operating companies together in order to incorporate best practices when improving

their programs. As an example, Xcel Energy effectively shared best practices to develop procedures and data requirements for PRC-005. This practice allows all three operating companies to benefit from the audits. SPS and Xcel Energy senior management viewed the audit as an opportunity to improve practices instead of simply a required evolution of demonstrating compliance. Staffs from the other organizations were present as observers to help improve their own compliance programs. Home office personnel also participated in and supported the SPS audit. This has been very effective in improving compliance processes.

SPS provided very detailed RSAWs for the audit team's evaluation. The RSAWs included a complete history of the documentation revisions covering the entire audit period and the previous documents were provided for all NERC Standards included in the audit (whether referenced or not in this Audit Report.). SPS provided many examples to demonstrate that it followed its procedures and met compliance. SPS provided a large number of documents for evidence, but the documentation was well organized. SPS responded quickly to the audit teams request for additional supporting information. The audit team finds that SPS was well prepared for the audit and offered a fairly complete set of examples of actions to support compliance.

Additional information pertaining to the compliance culture of SPS can found in the Internal Compliance Survey

Post Audit Activities

This report was reviewed and approved by:
Ronald W. Ciesiel
Executive Director of Compliance, SPP RE
January 21, 2011