

Compliance Audit Report Public Version

Floresville Electric Light & Power System NERC ID # NCR10262

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: August 10-12, 2010
Audit Location: Texas Regional Entity Office, Austin, TX
Report Date: May 5, 2011
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Floresville Electric Light & Power System (Folresville) was conducted on August 10-12, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Folresville's registration as a Distribution Provider and Transmission Owner.

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 2 representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Folresville and conducted interviews with Folresville's personnel to assess compliance with standards applicable to Folresville at this time.

There were a total of 13 reliability standards included in the scope of this audit consisting of 42 requirements. Based on the information and documentation provided by Folresville, the audit team found Folresville to be compliant with 9 applicable requirements. The audit team determined that 30 requirements were not applicable to Folresville.

The audit team identified three (3) possible alleged violations¹ during the 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. This audit report includes information regarding the possible alleged violation(s). This information will be used to help determine the severity level of sanctions and penalties. The possible alleged violations will be processed through the Texas RE's NERC Compliance Monitoring and Enforcement Program. Any further actions related to possible alleged violations will follow the same process. Any Possible Alleged Violations will be processed through the NERC and Texas RE CMEP.

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.² The audit objectives are:

¹ See Appendix 1 for explanation of possible alleged violations dismissal.

² North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Independently review Floresville's compliance with the requirements of the reliability standards that are applicable to Floresville based on the Floresville 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 Floresville'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 2010 and any others that may be identified by the audit team at the time of the audit applicable to a Distribution Provider and Transmission Owner. The audit was performed by 2 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 Floresville Electric Light & Power System 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 6 years based the Floresville's registration as a Distribution Provider and Transmission Owner, or periods specified in individual reliability standards.

At the time of the audit, Floresville was registered as a Distribution Provider and Transmission Owner. The audit team evaluated Floresville for compliance during the specific period of October 16, 2008 to August 10, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Floresville prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to Floresville. Floresville 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. Floresville 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 Floresville.

2.3 Methodology

Once an audit date was set by Texas RE, Floresville 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 Floresville 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 Floresville 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 Floresville's management and supervisors. The audit team reviewed documentation provided by Floresville 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 Floresville 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 Floresville Electric Light & Power System and therefore none were reviewed by the audit team.

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

2.4 Company Profile

FELPS, a municipally owned electric distribution utility was established in 1942. The area served is approximately 600 square miles south of San Antonio and consists of the cities of Floresville, Stockdale, Poth, Falls City and La Vernia as well as the unincorporated areas of Saspamco, Sutherland Springs, Pandora, Denhawken, Koscuisko, Cestohowa, Pawelekville, and Hobson.

FELPS has approximately 1,524 miles of 13.8 kV distribution lines, 12 miles of 138 kV transmission lines which serve 13,824 Customers with a summer peaking load of 72 MW and 4 substations/delivery points.

FELPS has a Wholesale Power Supply Contract with CPS Energy that runs through 2015. FELPS has never had another Wholesale Power Provider since 1942.

FELPS is a member of the Texas Reliability Entity and registered as a Distribution Provider (DP), Load Serving Entity (LSE), and Transmission Owner (TO).

2.5 Audit Specifics

Audit Date: August 10-12, 2010
Audit Location: Texas Regional Entity Office, Austin, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Engineer, Sr.	Audit Team Leader
Texas RE/Compliance Engineer, III	Auditor

Folresville's Audit Participants:

Company	Title
Folresville Electric Light & Power	General Manager

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Folresville was non-compliant with the following standards and requirements:

Reliability Standard & Requirement
FAC-001-0 R1 ¹
FAC-001-0 R2 ¹
FAC-001-0 R3 ¹

Folresville was found compliant with all other requirements and standards that were included in the scope of this 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-001-0	R1.	Possible Violation ¹
FAC-001-0	R2.	Possible Violation ¹
FAC-001-0	R3.	Possible Violation ¹
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
FAC-003-1	R1.	N/A
FAC-003-1	R2.	N/A

Reliability Standard	Requirement	Finding
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.	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

The compliance audit team found that Floresville was non-compliant with the following standards and requirements:

Reliability Standard & Requirement
FAC-001-0 R1 ¹
FAC-001-0 R2 ¹
FAC-001-0 R3 ¹

The possible alleged violations¹ along with this compliance report will be provided to Texas RE's compliance staff for processing through the NERC CMEP. Any further actions related to possible alleged violations¹ will be through that process.

Floresville was found compliant with all other requirements and 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.

The possible alleged violations¹ along with this compliance report will be provided to Texas RE's compliance staff for processing through the NERC CMEP. Any further actions related to possible alleged violations will be through that process.

3.4. Compliance Culture

Floresville's compliance culture survey was not reviewed by the audit team.

Appendix 1 Explanation of Possible Alleged Violations Dismissal

On August 12, 2010, Texas RE conducted an audit addressing possible noncompliance with this Reliability Standard. During the audit, FELPS did not provide the audit team with a facilities connection requirements document for the period of October 15, 2008 through June 12, 2010. As a result, Texas RE initially determined FELPS was in violation with FAC-001-0, R1, R2 and R3.

On January 25, 2011, FELPS provided a facility connection requirements document produced and published by CPS Energy dated November of 2007. CPS Energy's facility connection requirements document was then examined and found to be compliant. Texas RE also conducted additional review of a Standard Form Transmission and/or Distribution Service Provider Agreement between City of Floresville and ERCOT, Inc. which was provided at the audit. The agreement indicates that a CPS representative had signed the agreement as agent for FELPS. It was not clear to Texas RE initially that a CPS representative had signed the agreement as it is not indicated on the signature block. In light of the new information, Texas RE has determined that the agreement establishes an agency role performed by CPS Energy for FELPS as it regards facilities connection requirements.

Upon review of this evidence, Texas RE determined that FELPS did not violate FAC-001-0, R1, R2 and R3 because CPS Energy as agent for FELPS had a compliant facilities connection requirements document. Accordingly, Texas RE is dismissing FELPS' alleged violations of FAC-001-0, R1, R2 and R3.