

Compliance Audit Report Public Version

Golden Spread Electric Cooperative, Inc.
NERC ID # NCR10020

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: March 23-25, 2010
Audit Location: Texas Regional Entity Office, Austin, TX
Report Date: June 1, 2010
Prepared By: Frank Vick, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Golden Spread Electric Cooperative, Inc. (GSEC) was conducted on March 23-25, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on GSEC'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 2 representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by GSEC and conducted interviews with GSEC's personnel to assess compliance with standards applicable to GSEC 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 GSEC, the audit team found GSEC to be compliant with three (3) applicable requirements. The audit team determined that twenty (20) requirements were not applicable to GSEC.

GSEC 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 GSEC's compliance with the requirements of the reliability standards that are applicable to GSEC based on the GSEC 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 GSEC'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 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 Golden Spread Electric Cooperative, Inc. 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 GSEC's registration as a Distribution Provider, or periods specified in individual reliability standards.

At the time of the audit, GSEC was registered as a Distribution Provider. The audit team evaluated GSEC for compliance during the specific period of June 18, 2007 to March 23, 2010.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, GSEC 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 GSEC 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 GSEC 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 GSEC's management and supervisors. The audit team reviewed documentation provided by GSEC 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 GSEC 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 Golden Spread Electric Cooperative, Inc. and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Golden Spread Electric Cooperative, Inc. is a tax-exempt, consumer-owned public utility, organized in 1984 to provide low cost, reliable electric service for its rural distribution cooperative members. Golden Spread's 16 member systems serve approximately 208,000 retail consumers located in the Panhandle, South Plains and Edwards Plateau Regions of Texas, an area covering 24 percent of the state, and in the Panhandle of Oklahoma and in Southwestern Kansas. Golden Spread operates in the Southwest Power Pool and the Electric Reliability Council of Texas.

Golden Spread Electric Cooperative, Inc. is registered in TRE as a Distribution Provider representing Taylor Electric Cooperative, Inc. Taylor Electric Cooperative, Inc. is a distribution cooperative (Texas 106 Taylor County) with headquarters in Merkel, Texas, serving portions of Taylor, Callahan, Jones, Nolan, Shackelford, Fisher, Coke and Eastland Counties.

Taylor's service area lies in the north-central Plains of Texas and covers approximately 2,250 square miles. The expansive area is diverse lying between the massive Oak Trees and Blue Mountains at Buffalo Gap and across to Sweetwater-Trent Mesa and then to the rolling flat lands.

Much of the service area is agricultural with cotton and wheat as the dominant crops. The average growing season lasts 225 days. There is a strong oil and gas load in the region, as well as active cattle ranching and hunting lease interest. The cooperative services over 4,724 miles of energized line.

Taylor Electric Cooperative, Inc.'s 2008 summer actual non-coincident Peak Load was 28.1 MW and its 2008 winter actual non-coincident Peak Load was 27.2 MW. The above load figures represent Taylor's load that is directly connected to the bulk power system (>100 kV). The total 2008 summer actual non-coincident Peak Load was 68.7 MW and its 2008 winter actual non-coincident Peak Load was 70.9 MW. The total load figure represents Taylor's complete load, irrespective of transmission delivery voltage.

2.5 Audit Specifics

Audit Date: March 23-25, 2010
Audit Location: Texas Regional Entity Office, Austin, TX

Texas RE Audit Team:

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

GSEC's Audit Participants:

Company	Title
GSEC	Manager, Engineering
GSEC	President and General Manager
GDS Associates Inc.	Project Manager
Miller, Bails & O'Neil, P.C.	Counsel

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that GSEC 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

Reliability Standard	Requirement	Finding
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

GSEC 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

GSEC's compliance culture survey was reviewed by the audit team.

GSEC was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of GSEC, the participation during the audit by GSEC'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 commitment by GSEC to promote a healthy compliance culture within organization. The Engineering Manager's efforts for this audit were extremely helpful and were well supported by the other SME's who prepared and participated during the audit process.

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