

Compliance Audit Report Public Version

Kerrville Public Utility Board

NERC ID # NCR10179

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

Audit Date: July 20-21, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: August 30, 2010
Prepared By: Mark Scovill, Audit Team Leader

TABLE OF CONTENTS

1.0	Executive Summary	3
2.0	Audit Process.....	3
2.1	Objectives	3
2.2	Scope.....	4
2.3	Methodology	4
2.4	Company Profile	5
2.5	Audit Specifics	5
3.0	Audit Results.....	5
3.1	Audit Findings	5
3.2	Mitigation Plan Findings.....	6
3.3	Conclusion	6
3.4	Compliance Culture	7

1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Kerrville Public Utility Board (Kerrville PUB) was conducted on July 20-21, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Kerrville PUB'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 Kerrville PUB and conducted interviews with Kerrville PUB's personnel to assess compliance with standards applicable to Kerrville PUB at this time.

There were a total of eight (8) reliability standards included in the scope of this audit consisting of fifteen (15) requirements applicable to the DP function. Based on the information and documentation provided by Kerrville PUB, the audit team found Kerrville PUB to be compliant with three (3) applicable requirements. The audit team determined that twelve (12) requirements applicable to the DP function were not applicable to Kerrville PUB for other reasons.

Kerrville PUB met all of the applicable 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 Kerrville PUB's compliance with the requirements of the reliability standards that are applicable to Kerrville PUB based on the Kerrville PUB 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.

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

- 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 Kerrville PUB's compliance culture.

2.2 Scope

This compliance audit covered all requirements of the NERC Reliability Standards that are applicable to a Distribution Provider and actively monitored in the 2010 CMEP. Where evidence or audit findings indicate possible violations may exist for other enforceable NERC Standards and requirements, those standards and requirements may also be examined during the audit. 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 Kerrville Public Utility Board and therefore none were reviewed by the audit team.

Generally, the monitoring period for a Distribution Provider will be the last six years, or periods specified in individual reliability standards. For this audit the monitoring period was since the date of Kerrville PUB's registration as a DP (from December 6, 2007 to July 20, 2010).

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, Kerrville PUB 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 Kerrville PUB 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 Kerrville PUB 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 Kerrville PUB's management and supervisors. The audit team reviewed documentation provided by Kerrville PUB 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 Kerrville PUB 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 required the consensus of the audit team.

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

2.4 Company Profile

Kerrville PUB is a municipal electric system currently supplied by the LCRA interconnected transmission system at eight transformation points.

2.5 Audit Specifics

Audit Date: July 20-22, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX

Texas RE Audit Team:

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

Kerrville PUB's Audit Participants:

Company	Title
Kerrville PUB	Chief Engineer and COO
Schneider Engineering	P.E., Consultant

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Kerrville PUB 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.	NA
PRC-004-1	R2.	NA
PRC-004-1	R3.	NA
PRC-005-1	R1.	NA
PRC-005-1	R2.	NA
PRC-008-0	R1.	NA
PRC-008-0	R2.	NA
PRC-010-0	R1.	NA
PRC-010-0	R2.	NA
PRC-011-0	R1.	NA
PRC-011-0	R2.	NA
PRC-017-0	R1.	NA
PRC-017-0	R2.	NA
TOP-001-1	R1.	NA
TOP-001-1	R2.	NA
TOP-001-1	R3.	NA
TOP-001-1	R4.	Compliant
TOP-001-1	R5.	NA
TOP-001-1	R6.	NA
TOP-001-1	R7.	NA
TOP-001-1	R8.	NA

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 audit team examined Kerrville PUB evidence to determine which standards and requirements in the scope of this audit applied to Kerrville PUB, and whether Kerrville PUB was in compliance with them. No possible violations were found.

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

3.4. Compliance Culture

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

Kerrville PUB has a documented compliance program. The purpose of the program is to designate responsibility for compliance with NERC Standards to individuals within the company and ensure that those responsibilities are carried out.

The Chief Engineer and COO of Kerrville PUB fulfills the duties of Reliability Compliance Manager. The COO has independent access to the Kerrville PUB General Manager and CEO. The COO has authority to make independent decisions with regard to reliability matters.

Kerrville PUB depends on contracted consultants from LCRA and Schneider Engineering to ensure that Compliance Program staffing resources are adequate.

Senior management participates in the Compliance Program and has stated responsibilities and authority in the Compliance Program documentation. This includes annual review of the program.

The Compliance Program Manager (i.e. the COO) attends external workshops, working groups, and seminars to stay current on compliance requirements. The COO also receives reliability alerts and briefings from Schneider Engineering and their Regulatory Affairs consultant. In turn, the COO briefs and trains other Kerrville PUB staff as necessary.