

Compliance Audit Report Public Version

**San Patricio Electric Co-op.
NERC ID # NCR10233**

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

Audit Date: September 28-30, 2010
Audit Location: Texas Regional 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 San Patricio Electric Co-op. (San Patricio) was conducted on September 28-30, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on San Patricio'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 Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by San Patricio and conducted interviews with San Patricio's personnel to assess compliance with standards applicable to San Patricio 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 San Patricio, the audit team found San Patricio to be compliant with three (3) applicable requirements. The audit team determined that twenty (20) requirements were not applicable to San Patricio.

San Patricio 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 San Patricio's compliance with the requirements of the reliability standards that are applicable to San Patricio based on the San Patricio 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 San Patricio'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 San Patricio 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 San Patricio's registration as a Distribution Provider, or periods specified in individual reliability standards.

At the time of the audit, San Patricio was registered as a Distribution Provider. The audit team evaluated San Patricio for compliance during the specific period of March 14, 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 San Patricio prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to San Patricio. San Patricio 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. San Patricio 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 San Patricio.

2.3 Methodology

Once an audit date was set by Texas RE, San Patricio 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 San Patricio 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 San Patricio 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 San Patricio's management and supervisors. The audit team reviewed documentation provided by San Patricio 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 San Patricio 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 San Patricio and therefore none were reviewed by the audit team.

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

2.4 Company Profile

San Patricio is a Cooperative Electric System currently supplied by the South Texas Electric Cooperative (STEC) interconnected transmission system. San Patricio is a Distribution Service Provider and does not own or operate transmission assets or a transmission Protective System. Furthermore, San Patricio does not own or operate a Special Protective System (SPS), nor do they own or operate an Underfrequency Load Shedding program or equipment (UFLS), nor do they own, operate, or participate in an Undervoltage Load Shedding program (UVLS). Pursuant to the NERC Statement of Compliance Registry Criteria (Revision 5.0), San Patricio’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 Regional 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

San Patricio’s Audit Participants:

Company	Title
San Patricio	General 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 San Patricio 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

San Patricio 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

San Patricio's compliance culture was reviewed by the audit team.

San Patricio was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of San Patricio, the participation during the audit by San Patricio'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 San Patricio to promote a healthy compliance culture within the organization. San Patricio 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 San Patricio can be found in the Internal Compliance Survey.