

Compliance Audit Report Public Version

City of Cuero, Texas

NERC ID # NCR10177

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: May 24 - 26, 2011
Audit Location: Texas Reliability Entity Offices, Austin, TX
Report Date: July 12, 2011
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of City of Cuero, Texas (CUER) was conducted on May 24-26, 2011. The NERC Reliability Standards that are being actively monitored for 2011 were reviewed based on CUER's registration as a Distribution Provider and Load Serving Entity.

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 three (3) representatives from Texas Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by CUER and conducted interviews with CUER's personnel to assess compliance with standards applicable to CUER at this time.

There were a total of eleven (11) reliability standards included in the scope of this audit consisting of seventy (70) requirements. Based on the information and documentation provided by CUER, the audit team found CUER to have no findings of non-compliance with ten (10) applicable requirements. The audit team determined that sixty (60) requirements were not applicable to CUER.

CUER 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.

The Texas RE audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).

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 CUER's compliance with the requirements of the reliability standards that are applicable to CUER based on the CUER's registered functions included in the scope of this audit.
- Validate compliance with applicable reliability standards from the NERC 2011 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 CUER'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 2011 and any others that may be identified by the audit team at the time of the audit applicable to a Distribution Provider and Load Serving Entity. The audit was performed by three (3) 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 for CUER and therefore none were reviewed by the audit team.

Note: For the 2011 compliance program, the monitoring period for the compliance audit will generally be the last six years based the CUER's registration as a Distribution Provider and Load Serving Entity, or periods specified in individual reliability standards.

At the time of the audit, CUER was registered as a Distribution Provider and Load Serving Entity. The audit team evaluated CUER for compliance during the specific period of CUER's DP registration date of December 6, 2007 and LSE registration date of April 13, 2010 to May 24, 2011.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, CUER 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 CUER 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 CUER until the last day of the review at the audit site.

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

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with CUER's management and supervisors. The audit team reviewed documentation provided by CUER

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 CUER's personnel as necessary to clarify or stack the evidence provided by CUER 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.

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

2.4 Company Profile

CUER is a Municipal Electric System currently supplied by the LCRA interconnected transmission system at one transformation point.

2.5 Audit Specifics

Audit Date: May 24-26, 2011
 Audit Location: Texas Reliability Entity, Inc. Office, Austin, TX

Texas RE Audit Team:

Company / Title	Audit Team Role
Texas RE / Compliance Analyst III	Audit Team Leader
Texas RE / Compliance Analyst III	Audit Team Member
Texas RE / Senior Compliance Analyst	Audit Team Member

CUER's Audit Participants:

Company	Title
City of Cuero	City Manager
City of Cuero	Assistant City Manager
City of Cuero	Electric Superintendent
City of Cuero	City Secretary
Schneider Engineering	Subject Matter Expert
Schneider Engineering	Subject Matter Expert

3.0 AUDIT RESULTS

3.1 Audit Findings

The audit team evaluated CUER for compliance with all the requirements of the 2011 actively monitored NERC Standards identified in the NERC Compliance Monitoring and Enforcement Program (CMEP) appropriate to CUER's registration as a Distribution Provider and Load Serving Entity. CUER submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CUER to assess compliance with standards applicable to CUER at this time.

The audit team found that CUER to have no findings of non-compliance with all 2011 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
CIP-001-1	R1.	No Finding of Non-Compliance
CIP-001-1	R2.	No Finding of Non-Compliance
CIP-001-1	R3.	No Finding of Non-Compliance
CIP-001-1	R4.	No Finding of Non-Compliance
IRO-001-1.1	R1.	N/A
IRO-001-1.1	R2.	N/A
IRO-001-1.1	R3.	No Finding of Non-Compliance
IRO-001-1.1	R4.	N/A
IRO-001-1.1	R5.	N/A
IRO-001-1.1	R6.	N/A
IRO-001-1.1	R7.	N/A
IRO-001-1.1	R8.	No Finding of Non-Compliance
IRO-001-1.1	R9.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	No Finding of Non-Compliance
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-2	R1.	N/A
IRO-005-2	R2.	N/A

Reliability Standard	Requirement	Finding
IRO-005-2	R3.	N/A
IRO-005-2	R4.	N/A
IRO-005-2	R5.	N/A
IRO-005-2	R6.	N/A
IRO-005-2	R7.	N/A
IRO-005-2	R8.	N/A
IRO-005-2	R9.	N/A
IRO-005-2	R10.	N/A
IRO-005-2	R11.	N/A
IRO-005-2	R12.	N/A
IRO-005-2	R13.	No Finding of Non-Compliance
IRO-005-2	R14.	N/A
IRO-005-2	R15.	N/A
IRO-005-2	R16.	N/A
IRO-005-2	R17.	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-011-0	R1.	N/A
PRC-011-0	R2.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-023-1	R1.	N/A
PRC-023-1	R2.	N/A
PRC-023-1	R3.	N/A
TOP-002-2	R1.	N/A
TOP-002-2	R2.	N/A
TOP-002-2	R3.	No Finding of Non-Compliance
TOP-002-2	R4.	N/A
TOP-002-2	R5.	N/A
TOP-002-2	R6.	N/A
TOP-002-2	R7.	N/A
TOP-002-2	R8.	N/A
TOP-002-2	R9.	N/A
TOP-002-2	R10.	N/A
TOP-002-2	R11.	N/A

Reliability Standard	Requirement	Finding
TOP-002-2	R12.	N/A
TOP-002-2	R13.	N/A
TOP-002-2	R14.	N/A
TOP-002-2	R15.	N/A
TOP-002-2	R16.	N/A
TOP-002-2	R17.	N/A
TOP-002-2	R18.	No Finding of Non-Compliance
TOP-002-2	R19.	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 and therefore none were reviewed by the audit team.

3.3 Conclusion

CUER was found to have no findings of non-compliance 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

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

CUER's Internal Compliance Program (ICP)...

ICP was well documented? No

CUER provided a copy of a document titled "City of Cuero NERC Compliance Program" which specified, roles, responsibilities, and assignments for NERC Standard compliance within CUER.

However, this document did not specify the scope, objectives, strategies, and/or methods for achieving, monitoring, correcting, and improving compliance. For example, expectations regarding responsibilities and accounting for compliance activities between CUER and its partnering entities (LCRA) were not defined. Access and use of ICP resources at LCRA and consultant engineering firms is not described.

ICP was widely disseminated in the company? Unknown

CUER did not provide any descriptions of "what is required of all CUER personnel" by CUER ICP, how the ICP is disseminated within the company, or how CUER ensures awareness of ICP expectations.

ICP had a named and staffed reliability compliance manager position? Yes

The Assistant City Manager/Finance Director was assigned this role.

ICP was supervised at a high level in the company? Yes

The City Manager

ICP had independent access to CEO or Board? Yes

The CUER ICP document specified this access.

ICP had independence of operation and management? Yes

The CUER ICP document specified this access.

ICP was sufficiently resourced in the opinion of your organization? Yes

CUER stated in the General Information Survey that they own limited assets and that the current staffing along with contract assistance from LCRA and Schneider Engineering are sufficient to address any reliability concerns.

ICP was fully supported by senior management, in the opinion of your organization? Yes

The CUER ICP document specifies this level of support.

ICP was being reviewed and modified sufficiently often? Yes

The CUER ICP document specified that a review and update would occur whenever duties or individuals changed or annually. The audit team did not request or examine evidence to verify that this review has occurred.

ICP included appropriate training for all relevant staff? Unknown

The CUER ICP document did not address training requirements. The audit team did not request or examine training records for ICP (other than the CIP Training Program examined during the review of CIP-001).

ICP included formal, internal self-auditing for compliance on a set periodic basis? No

The CUER ICP document did not address an internal audit program.

ICP included self-assessment and self-enforcement of internal controls to prevent recurrence of violations? No

The CUER ICP document did not address internal controls, monitoring, internal auditing, or corrective and preventive action processes.

The above observations should help CUER consider possible areas for improvement in the CUER compliance program and culture. Possible areas to consider include annual compliance objectives, metrics for compliance objectives, formal document control process, formal records control process, internal audit process, corrective and preventive action process, continuous improvement program, a training program, and a management review process.

CUER was cooperative with the audit team's needs and information requests throughout the audit process. CUER's responsiveness during this audit was extremely helpful.

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