

Compliance Audit Report Public Version

Central Texas Electric Cooperative, Inc.

NERC ID # NCR10175

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: January 11-13, 2011
Audit Location: Texas Reliability Entity Offices, Austin, TX
Report Date: April 26, 2011
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.....	6
3.1	Audit Findings	6
3.2	Mitigation Plan Findings.....	8
3.3	Conclusion	8
3.4.	Compliance Culture	9

1.0 EXECUTIVE SUMMARY

The Table Top compliance audit of Central Texas Electric Cooperative, Inc. (CTEC) was conducted on January 11-13, 2011. The NERC Reliability Standards that are being actively monitored for 2011 were reviewed based on CTEC'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 representatives from Texas Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by CTEC and conducted interviews with CTEC's personnel to assess compliance with standards applicable to CTEC during the audit period.

There was 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 CTEC, the audit team found CTEC to be to have no findings of non-compliance with nine (9) applicable requirements. The audit team determined that fifty-nine (59) requirements were not applicable to CTEC.

The audit team identified possible violations of two (2) audit requirements during the audit. The Audit Results Findings section of this report 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. Information in this report regarding the possible violation(s) will be used to help determine the severity level of sanctions and penalties. The possible violations will be processed through the Texas RE's NERC Compliance Monitoring and Enforcement Program (CMEP). Future actions related to the possible violations, if any, will come through the CMEP process.

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:

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

- Independently review CTEC's compliance with the requirements of the reliability standards that are applicable to CTEC based on the CTEC 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.
- 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 CTEC's compliance culture.

2.2 Scope

This compliance audit includes all actively monitored requirements of the NERC Reliability Standards in the 2011 NERC table of actively monitored standards for Distribution Provider and Load Serving Entity registrations. It can include other applicable NERC Reliability Standards and requirements that may be identified by the audit team at the time of the audit. However, in this audit no additional standards or requirements were included and assessed. The audit was performed by three members of Texas RE.

No ongoing or recently completed mitigation plans for the NERC registered functions were included in the scope of this audit and therefore none were reviewed by the audit team.

In the 2011 CMEP program, the general monitoring period for a Distribution Provider and Load Serving Entity compliance audit is the last six years, or periods specified by individual reliability standards, or the period since the previous audit. In the case of this audit the monitoring period was from the date of registration (December 6, 2007 for DP, February 12, 2010 for LSE) until the first day of the audit (January 11, 2011).

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to CTEC prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to CTEC. CTEC 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. CTEC had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants with no objections. No denials of access or access limitations were placed upon this audit team by CTEC.

2.3 Methodology

After the audit date was set, Texas RE sent CTEC a Reliability Standard Audit Work Sheet (RSAW) forms for each of the NERC Standards listed in the table of 2011 actively monitored NERC Standards for DP and LSE registrations.

CTEC completed and submitted the RSAWs, information, data, and evidence requested by Texas RE. Texas RE reviewed the submittals 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. Additional information was requested by Texas RE and submitted by CTEC prior to the date of the audit.

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 CTEC's management and subject matter expert. The audit team reviewed documentation provided by CTEC 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. Where it was necessary to focus in on Bulk Electrical System (BES) facilities, sample evidence was requested and assessed.

Texas RE interviewed the CTEC Compliance Manager and Subject Matter Expert during the audit via phone conferences in order to request additional evidence or ensure that the audit team correctly understood the evidence being examined.

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were 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 and therefore none were reviewed by the audit team.

The audit team conducted an exit briefing immediately following the audit with CTEC. The audit team verbally shared its results with CTEC's management. Audit team results are preliminary in that they are submitted to the Texas RE Enforcement Group for validation and due process.

2.4 Company Profile

Central Texas Electric Cooperative, Inc.(CTEC) is a member owned electric cooperative serving 35,000 members in the Texas hill country , approximately 80 miles west of Austin. CTEC is currently supplied by the LCRA interconnected transmission system at eleven(11) direct-connected transmission and three(3) transformation points.

2.5 Audit Specifics

Audit Date: January 11-13, 2011

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 Analyst III	Auditor
Texas RE/Sr. Compliance Analyst	Auditor

CTEC's Audit Participants:

Company	Title
CTEC	Dir. Engineering & Operations
Schneider Engineering, Ltd	SME

3.0 AUDIT RESULTS

3.1 Audit Findings

The audit team evaluated CTEC 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 CTEC's registration as a Distribution Provider and Load Serving Entity. CTEC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CTEC to assess compliance with standards applicable to CTEC.

The audit team found that CTEC had possible violation(s) with the following standards and requirements:

Reliability Standard & Requirement
CIP-001-1 R1
CIP-001-1 R4

The audit team found no findings of non-compliance with all other requirements of the 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
CIP-001-1	R1.	PV
CIP-001-1	R2.	No Finding of Non-compliance
CIP-001-1	R3.	No Finding of Non-compliance
CIP-001-1	R4.	PV
IRO-001-1.1	R1.	NA
IRO-001-1.1	R2.	NA
IRO-001-1.1	R3.	NA
IRO-001-1.1	R4.	NA
IRO-001-1.1	R5.	NA
IRO-001-1.1	R6.	NA

Reliability Standard	Requirement	Finding
IRO-001-1.1	R7.	NA
IRO-001-1.1	R8.	No Finding of Non-compliance
IRO-001-1.1	R9.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	No Finding of Non-compliance
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA
IRO-004-1	R7.	NA
IRO-005-2	R1.	NA
IRO-005-2	R2.	NA
IRO-005-2	R3.	NA
IRO-005-2	R4.	NA
IRO-005-2	R5.	NA
IRO-005-2	R6.	NA
IRO-005-2	R7.	NA
IRO-005-2	R8.	NA
IRO-005-2	R9.	NA
IRO-005-2	R10.	NA
IRO-005-2	R11.	NA
IRO-005-2	R12.	NA
IRO-005-2	R13.	No Finding of Non-compliance
IRO-005-2	R14.	NA
IRO-005-2	R15.	NA
IRO-005-2	R16.	NA
IRO-005-2	R17.	NA
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.	No Finding of Non-compliance
PRC-008-0	R2.	No Finding of Non-compliance
PRC-011-0	R1.	NA
PRC-011-0	R2.	NA
PRC-017-0	R1.	NA
PRC-017-0	R2.	NA

Reliability Standard	Requirement	Finding
PRC-023-1	R1.	NA
PRC-023-1	R2.	NA
PRC-023-1	R3.	NA
TOP-002-2	R1.	NA
TOP-002-2	R2.	NA
TOP-002-2	R3.	No Finding of Non-compliance
TOP-002-2	R4.	NA
TOP-002-2	R5.	NA
TOP-002-2	R6.	NA
TOP-002-2	R7.	NA
TOP-002-2	R8.	NA
TOP-002-2	R9.	NA
TOP-002-2	R10.	NA
TOP-002-2	R11.	NA
TOP-002-2	R12.	NA
TOP-002-2	R13.	NA
TOP-002-2	R14.	NA
TOP-002-2	R15.	NA
TOP-002-2	R16.	NA
TOP-002-2	R17.	NA
TOP-002-2	R18.	No Finding of Non-compliance
TOP-002-2	R19.	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 and therefore none were reviewed by the audit team.

3.3 Conclusion

The compliance audit team found that CTEC had possible violation(s) with the following standards and requirements:

Reliability Standard & Requirement
CIP-001-1 R1
CIP-001-1 R4

This compliance report will be provided to Texas RE's enforcement staff for processing through the NERC CMEP. Any further actions related to possible violations will be through that process.

CTEC was found to have no findings of non-compliance with all other requirements of 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

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

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

ICP was well documented? No

CTEC provided a copy of a document titled "Central Texas Electric Cooperative, Inc. NERC Compliance Program" which specified, roles, responsibilities, and assignments for NERC Standard compliance within CTE.

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 CTEC 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

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

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

Director of Engineering and Operations was assigned this role.

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

Director of Engineering and Operations

ICP had independent access to CEO or Board? Yes

The CTEC ICP document specified this access.

ICP had independence of operation and management? Yes

The CTEC ICP document specified this access.

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

CTEC stated in the General Information Survey that they have limited staff but do have access to LCRA and consulting engineering firms with expertise in reliability matters.

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

The CTEC ICP document specifies this level of support.

ICP was being reviewed and modified sufficiently often? Yes

The CTEC ICP document specifies annual review. 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 CTEC ICP document did not address training requirements. The audit team did not request or examine training records for ICP.

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

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

The above observations should help CTEC consider possible areas for improvement in the CTEC compliance program and culture.

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

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

Attachment A – Dismissal of Possible Violations for CIP-001-1 R1, R4

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NERC ID # 10175

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Subsequent to the audit the Texas Reliability Entity Enforcement Group reviewed the Possible Violations for CIP-001-1 R1 and R4 and found that the provisions of the CTEC Emergency

Restoration Plan (ERP) documents were adequate to satisfy the R1 and R4 requirements during the period from February 12, 2010 until December, 2010, when training in the new CTEC Sabotage Awareness Procedure occurred.

Based on this review of evidence, the Possible Violations of CIP-001-1 R1 and R2 for Central Texas Electric Cooperative, Inc. were dismissed by the Texas Reliability Entity Enforcement Group on March 29, 2011.