

# **Compliance Audit Report Public Version**

**City of Lampasas  
NERC ID # NCR10275**

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

Audit Date: April 12-13, 2011  
Audit Location: Texas Reliability Entity Offices, Austin, TX  
Report Date: January 4, 2012  
Prepared By: Mark Scovill, Audit Team Leader

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## 1.0 EXECUTIVE SUMMARY

The compliance audit of the City of Lampasas (Lampasas) was conducted on April 12-13, 2011. Compliance with the 2011 actively monitored NERC Reliability Standards was reviewed, based on Lampasas' registration as a Distribution Provider and Load Serving Entity. The audit was conducted at the offices of Texas Reliability Entity, Inc. (Texas RE)

The audit team reviewed the NERC Reliability Standards for the period of time identified in the audit Scope (below). The audit team consisted of four representatives from Texas RE. The audit team reviewed the evidence and documentation provided by Lampasas and conducted interviews with Lampasas' personnel to assess compliance with standards applicable to Lampasas 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 Lampasas, the audit team found that eleven (11) requirements applied to the Lampasas DP and LSE registrations and fifty-nine (59) requirements did not. Of the eleven requirements that applied, Possible Violations were found for four (4) requirements and no findings of non-compliance were found for seven (7) requirements.<sup>1</sup>

These audit results are recorded 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. This audit report includes information regarding the Possible Violations. This information will help determine the severity level of sanctions and penalties, if any. The Possible Violations will be processed through the Texas RE's NERC Compliance Monitoring and Enforcement Program (CMEP). Further actions related to possible violations, if any, will follow the same 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](http://www.nerc.com). The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

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<sup>1</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for the four possible violations (TRE1100313, TRE1100314, TRE1100315, and TRE1100316). See Appendix A.

## 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.<sup>2</sup> The audit objectives were:

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

## 2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are actively monitored for 2011 and any others that may be identified by the audit team at the time of the audit applicable to a Distribution Provider and/or Load Serving Entity. The audit was performed by four 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 and therefore none were reviewed by the audit team.

Note: For the 2011 compliance program, the monitoring period for a compliance audit is either the past six years, or the period since the audited entity's registration, or periods specified in individual reliability standards. For this audit the monitoring period was from Lampasas' registration dates as a Distribution Provider (November 4, 2008) and Load Serving Entity (April 13, 2010) until the starting date of the audit (April 12, 2011).

### 2.2.1 Confidentiality and Conflict of Interest

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

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<sup>2</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

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## 2.3 Methodology

Lampasas was sent a Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards with the audit notification packet sent out sixty days prior to the audit start date.

The audit team received and reviewed the completed RSAWs, information, data, and evidence submitted by Lampasas in response to the notification packet 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 was requested by Texas RE and submitted by Lampasas until the last day 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 Lampasas' management and subject matter experts. The audit team reviewed documentation provided by Lampasas 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).

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 and therefore none were reviewed by the audit team.

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

## 2.4 Company Profile

The City of Lampasas owns and operates a Municipal Electric System currently supplied by the LCRA interconnected transmission system at two transformation points.

## 2.5 Audit Specifics

Audit Date: April 12-13, 2011

Audit Location: Texas Reliability Entity Office, Austin, TX

Texas RE Audit Team:

<b>Company/Title</b>	<b>Audit Team Role</b>
Texas RE/Compliance Engineer	Audit Team Leader
Texas RE/Compliance Analyst	Auditor
Texas RE/Compliance Analyst	Auditor
Texas RE/Compliance Analyst	Auditor

Lampasas' Audit Participants:

<b>Company</b>	<b>Title</b>
Lampasas	Electric Superintendent
Lampasas	Dir. Public Works
Schneider Engineering, LTD	Senior Project Engineer
Schneider Engineering, LTD	Project Engineer

### 3.0 AUDIT RESULTS

#### 3.1 Audit Findings

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

The audit team found that Lampasas had possible violations with the following standards and requirements:

<b>Reliability Standard &amp; Requirement</b>
CIP-001 R1 <sup>3</sup>
CIP-001 R2 <sup>4</sup>
CIP-001 R3 <sup>5</sup>

<sup>3</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<sup>4</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

CIP-001 R4<sup>6</sup>

The audit team had no findings of non-compliance for any other requirements of the standards that were reviewed in the scope of this audit.

The following table is a summary of the auditors' findings for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
CIP-001-1 <sup>7</sup>	R1.	PV
CIP-001-1 <sup>8</sup>	R2.	PV
CIP-001-1 <sup>9</sup>	R3.	PV
CIP-001-1 <sup>10</sup>	R4.	PV
IRO-001-1.1	R1.	N/A
IRO-001-1.1	R2.	N/A
IRO-001-1.1	R3.	N/A
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

<sup>5</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<sup>6</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<sup>7</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<sup>8</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<sup>9</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<sup>10</sup> On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for this possible violation. See Appendix A.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-2	R1.	N/A
IRO-005-2	R2.	N/A
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.	No Finding of Non-compliance
PRC-008-0	R2.	No Finding of Non-compliance
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

Reliability Standard	Requirement	Finding
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
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

The compliance audit team found that Lampasas had possible violations with the following standards and requirements:

<b>Reliability Standard &amp; Requirement</b>
CIP-001-1 R1 - Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making its operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.
CIP-001-1 R2 - Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection.
CIP-001-1 - R3 Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall provide its operating personnel with sabotage response guidelines, including personnel to contact, for reporting disturbances due to sabotage events.

CIP-001-1 - R4 Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall establish communications contacts, as applicable, with local Federal Bureau of Investigation (FBI) or Royal Canadian Mounted Police (RCMP) officials and develop reporting procedures as appropriate to its circumstances.

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

The audit team had no findings of non-compliance with any 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

Lampasas' compliance culture was reviewed by the audit team.

Lampasas' Internal Compliance Program (ICP) ...

#### **ICP was well documented? No**

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

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 Lampasas and its partnering entities (LCRA) were not defined. Access and use of ICP resources at LCRA and consultant engineering firms is not described. Also, the documented is dated March 1, 2011, just six weeks before the audit.

#### **ICP was widely disseminated in the company? Unknown**

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

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

Electric Department Superintendent was assigned this role.

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

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Electric Department Superintendent

**ICP had independent access to CEO or Board? Yes**

The Lampasas ICP document specified this access.

**ICP had independence of operation and management? Yes**

The Lampasas ICP document specified this access.

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

Lampasas 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 Lampasas ICP document specifies this level of support.

**ICP was being reviewed and modified sufficiently often? Yes**

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

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

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

The above observations should help Lampasas consider possible areas for improvement in the Lampasas 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.

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

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## Appendix A – Dismissal of Possible Violations

re: CIP-001-1 R1, R2, R3, R4 Possible Violations

On April 11, 2011, Texas RE conducted an Audit addressing possible noncompliance with the above listed Reliability Standards. Specifically, City of Lampasas failed to have procedures in effect for compliance to CIP-001-1 R1, R2, R3, and R4 during the period from Feb. 10, 2010 (LSE Registration date) until Aug. 9, 2010 (date on which City of Lampasas operations personnel were trained in their new Sabotage Awareness procedure). As a result, Texas RE initially determined City of Lampasas was in violation with CIP-001-1 R1, R2, R3, and R4.

On July 5, 2011, additional information and documentation was provided by City of Lampasas to the Texas RE Enforcement Group. This additional evidence included an approved and implemented Emergency Management Plan (EMP) that was in place at City of Lampasas prior to 2010. The EMP plan contained City of Lampasas procedures for sabotage recognition, reporting and communication along with 24-hour emergency phone numbers for personnel to contact during emergency events. An attestation was also provided certifying the EMP was made available to City of Lampasas operations personnel prior to City of Lampasas registration as a Load Serving Entity in 2010.

Accordingly, Texas RE recommended dismissing the City of Lampasas's violations of CIP-001-1 R1, R2, R3, and R4.

On July 18, 2011 Texas RE issued a request for dismissal of possible violations TRE1100313, TRE1100314, TRE1100315, and TRE1100316 to Mike DeLaura at NERC.

On August 29, 2011 Mr. DeLaura sent an email to Texas RE approving dismissal of possible violations TRE1100313, TRE1100314, TRE1100315, and TRE1100316.

On August 30, 2011 Texas RE issued a Notice of Dismissal to the City of Lampasas for possible violations TRE1100313, TRE1100314, TRE1100315, and TRE1100316.