

Compliance Audit Report Public Version

City of Seguin

NERC ID # NCR10205

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

Audit Date: June 21-22, 2011
Audit Location: Texas Reliability Entity Offices, Austin, TX
Report Date: August 19, 2011
Prepared By: Jagan Mandavilli, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of City of Seguin (SEU) was conducted on June 21-22, 2011. The NERC Reliability Standards that are being actively monitored for 2011 were reviewed based on SEU'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 SEU and conducted interviews with SEU's personnel to assess compliance with standards applicable to SEU 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 SEU, the audit team found SEU to be to have no findings of non-compliance with ten (10) applicable requirements. The audit team determined that sixty (60) requirements were not applicable to SEU.

SEU 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 SEU's compliance with the requirements of the reliability standards that are applicable to SEU based on the SEU 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 SEU'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 that had not been previously validated by Texas RE's compliance staff for SEU 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 SEU's registration as a Distribution Provider and Load Serving Entity, or periods specified in individual reliability standards.

At the time of the audit, SEU was registered as a Distribution Provider and Load Serving Entity. The audit team evaluated SEU for compliance during the specific period of SEU's DP registration date of January 10, 2008 and LSE registration date of April 12, 2010 to June 22, 2011.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

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

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

2.4 Company Profile

SEU's Municipal Electric System is currently supplied by the LCRA interconnected transmission system at three transformation points.

2.5 Audit Specifics

Audit Date: June 21-22, 2011
 Audit Location: Texas Reliability Entity Office, Austin, TX

Texas RE Audit Team:

| Company/Title | Audit Team Role |
|-------------------------------------|-------------------|
| Texas RE/Compliance Engineer Senior | Audit Team Leader |
| Texas RE/Compliance Analyst III | Auditor |
| Texas RE/Compliance Engineer Senior | Auditor |

SEU's Audit Participants:

| Company | Title |
|---|--|
| City of Seguin Utility Director | wbissette@seguintexas.gov |
| Schneider Engineering, Ltd. Sr. Project Engineer / SME | gnunan@se-texas.com |
| Schneider Engineering Project Manager / SME | nbrown@se-texas.com |
| | |

3.0 AUDIT RESULTS

3.1 Audit Findings

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

The audit team found that SEU 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 |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|------------------------------|
| 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 |
| 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 |

| Reliability Standard | Requirement | Finding |
|----------------------|-------------|------------------------------|
| 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 |
| 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 that had not been previously validated by Texas RE's compliance staff and therefore none were reviewed by the audit team

3.3 Conclusion

SEU 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

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

SEU was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of SEU, the extensive participation during the audit by SEU's personnel, the responses provided to the compliance culture survey, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by

SEU to promote a healthy compliance culture within organization. The compliance coordinator's efforts for this audit were extremely helpful and were well supported by the other SEU managers and SME's who prepared and participated during the audit process.

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