

Compliance Spot Check Report Public Version

South Texas Electric Cooperative, Inc. (STEC) Spot Check

NERC ID # NCR04124

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

Spot Check Date: July 11-13, 2011
Spot Check Location: Texas Reliability Entity Offices, Austin, TX
Report Date: October 18, 2011
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance Spot Check of South Texas Electric Cooperative Inc. (STEC) was conducted on July 11, 2011. The NERC Reliability Standards that are being actively monitored for 2011 were reviewed based on STEC's registration as a Transmission Owner (TO).

The Spot Check team reviewed the following NERC Reliability Standards: PRC-005-1, PRC-008-1, and PRC-011-0 for the period of time identified in the scope of the Spot Check. The Spot Check team consisted of 2 representatives from Texas Reliability Entity (Texas RE). The Spot Check team reviewed the evidence and documentation provided by STEC and conducted interviews with STEC's personnel to assess compliance with standards applicable to STEC at this time.

There were a total of three (3) reliability standards included in the scope of this Spot Check consisting of six (6) requirements. Based on the information and documentation provided by STEC, the Spot Check team found STEC to have no findings of non-compliance with all applicable requirements. The Spot Check team determined that two (2) requirements were not applicable to STEC.

STEC met all of the NERC Standard requirements that were within the scope of this Spot Check. These Spot Check results are further explained in the Spot Check Results Findings section of this report which includes detailed information of the Spot Check team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance Spot Check.

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

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

2.0 SPOT CHECK PROCESS

The compliance Spot Check 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 Spot Check for compliance with all reliability standards applicable to the functions for which the registered entity is registered.¹ The Spot Check objectives are:

- To independently review South Texas Electric Cooperative Inc.'s compliance with certain requirements of the reliability standards that are applicable to South Texas Electric Cooperative Inc. based on the South Texas Electric Cooperative Inc.'s registered functions.

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

- To validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of reliability standards, and review the status of associated mitigation plans.
- To document South Texas Electric Cooperative Inc.'s compliance culture.

2.2 Scope

The scope of this compliance Spot Check is inclusive of the following NERC Reliability Standards: PRC-005-1, PRC-008-1 and PRC-011-0 as applicable to a TO. The Spot Check was performed by two (2) members of Texas RE.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this Spot Check that had not been previously validated by Texas RE's compliance staff for STEC and therefore none were reviewed by the Spot Check team.

The monitoring period for the compliance spot check was August 1st, 2009 to July 11th, 2011.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to STEC prior to the Spot Check. Work history and conflict of interest forms submitted for each Spot Check team member were provided to STEC. STEC was given an opportunity to object to a Spot Check team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the Spot Check team member's impartial performance of duties. STEC had not submitted any objections by the stated fifteen day objection due date and accepted the Spot Check team member participants with no objections. There have been no denials of or access limitations placed upon this Spot Check team by STEC.

2.3 Methodology

Once a Spot Check date was set by Texas RE, STEC was sent Reliability Standard Audit Work Sheets (RSAWs) for the applicable list of NERC Standards.

The Spot Check team reviewed the completed RSAWs, information, data, and evidence submitted by STEC 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 Spot Check could be requested by Texas RE and submitted by STEC until the last day of the spot check.

The Spot Check team requested and received additional information and sought clarification from subject matter experts (SME's) during the Spot Check.

During the Spot Check, Texas RE reviewed the responses to the RSAWs and auditor questions with STEC's management and supervisors. The Spot Check team reviewed documentation provided by STEC 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 Spot Check team interviewed operations, IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by STEC and verify documentation.

Findings were based on the Spot Check team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the Spot Check team.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this Spot Check that had not been previously validated by Texas RE's compliance staff for STEC and therefore none were reviewed by the Spot Check team.

The Spot Check team conducted an exit briefing immediately following the Spot Check with STEC. The Spot Check team verbally shared its preliminary results with STEC's management.

2.4 Company Profile

South Texas Electric Cooperative (STEC) was formed in 1944 to provide wholesale electric power to member cooperatives. Presently STEC serves eight distribution cooperative members providing electric service to over 170,000 retail members in 42 south Texas counties.

STEC owns and operates over 2,000 miles of energized transmission line predominantly 138Kv and 69Kv. STEC owns less than 100 miles of 345Kv transmission. The lines are located in an area that stretches from near Freeport Texas, South to near Brownsville, then North and West to near Del Rio Texas. These transmission facilities interconnect with facilities operated by other Local Control Centers registered in the ERCOT TOP JRO. STEC generates electric power utilizing primarily lignite and natural gas. The Cooperative holds interest in a variety of generation resources including natural gas, hydro-electric, lignite, and renewable.

The transfer of transmission assets from Magic Valley Electric Cooperative, Inc. to South Texas Electric Cooperative, Inc. was finalized by the Public Utility Commission of Texas in Docket No. 36790 on Thursday, June 30, 2009.

The Cooperative became a Registered Entity with the North American Electric Reliability Corporation on June 28, 2007 as a Generator Owner, Generator Operator, Transmission Owner and Transmission Planner. STEC has since been directed to add the LSE and TOP registered entities:

- NCR04124 – TO, TP (6/28/2007) & TOP (5/4/2010 – JRO00071)
- NCR04125 – GO, GOP (6/28/2007) & LSE (2/10/2010 – JRO00061)

2.5 Spot Check Specifics

Spot Check Date: July 11, 2011

Spot Check Location: Texas Reliability Entity Office, Austin, TX

Texas RE Spot Check Team:

Company/Title	Spot Check Team Role
Texas RE/Compliance Engineer, Sr.	Spot Check Team Leader
Texas RE/Compliance Engineer III	Spot Check Team Member

STEC's Spot Check Participants:

Company	Title
STEC / Compliance Coordinator	ramcleon@stec.org
STEC / Manager of Engineering	dottyd@stec.org
STEC / Relay Technician	moisesg@stec.org

3.0 SPOT CHECK RESULTS

3.1 Spot Check Findings

The Spot Check team reviewed the following NERC Reliability Standards: PRC-005-1, PRC-008-1 and PRC-011-0 for the period of time identified in the scope of the Spot Check. STEC submitted information and documentation for the Spot Check team's evaluation of compliance with requirements. The Spot Check team reviewed and evaluated all information provided by STEC to assess compliance with standards applicable to STEC at this time.

The Spot Check team found that STEC to have no findings of non-compliance with all the requirements of the NERC Standards reviewed at the time of the Spot Check.

The following table is a summary of the auditor's findings for those NERC standards reviewed during the Spot Check:

Reliability Standard	Requirement	Finding
PRC-005-1	R1.	NFNC
PRC-005-1	R2.	NFNC
PRC-008-0	R1.	NFNC
PRC-008-0	R2.	NFNC
PRC-011-0	R1.	NA
PRC-011-0	R2.	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 Spot Check that had not been previously validated by Texas RE's compliance staff and therefore none were reviewed by the Spot Check team.

3.3 Conclusion

STEC was found to have no findings of non-compliance with the all the standards that were included in the scope of this Spot Check.

There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the Spot Check team.

3.4. Compliance Culture

STEC's compliance culture survey was reviewed by the Spot Check team.

STEC was cooperative with the Spot Check team's needs and information requests throughout the entire Spot Check process. The organizational structure of STEC, the extensive participation during the Spot Check by STEC's personnel, the responses provided to the compliance culture survey, the detailed documentation of procedures and records, and the direct observations made by the Spot Check team confirmed a strong commitment by STEC to promote a healthy compliance culture within organization. The STEC Compliance Coordinator's efforts for this Spot Check were extremely helpful and were well supported by the other STEC managers and SME's who prepared and participated during the Spot Check process.