



**Compliance Audit Report
Public Version
FERC Order 693**

**Holy Cross Energy
NERC ID# NCR#05190**

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

Date of Audit: July 27, 2011

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Executive Summary

A compliance audit of Holy Cross Energy (“HCE”), NCR#05190 was conducted on July 26, 2011. At the time of the audit, HCE was registered for the Distribution Provider (“DP”), Load Serving Entity (“LSE”), and Transmission Owner (“TO”) functions.

The audit team evaluated HCE for compliance with sixty-two (62) Reliability standard requirements, which included sixty (60) requirements as directed by the 2011 NERC Compliance Monitoring and Enforcement Program Implementation Plan (“CMEP IP”) and two (2) of the WECC Regional Reliability Standards requirements. The evaluation was for the period of June 18, 2007 to July 26, 2011.

HCE submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by HCE to assess compliance with standards applicable to HCE at this time. Based on the information and documentation provided by HCE, the audit team determined the following findings for HCE, summarized in the table below:

	No Finding	Not Applicable	OEA*	Possible Violation	Total
Reliability Standard Requirements	18	42	0	0	60
WECC Regional Standard Requirements	0	2	0	0	2
Total	18	44	0	0	62

* Open Enforcement Action (see Findings section below for detailed explanation).

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, and applicable WECC Regional Reliability Standards, within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and WECC CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the Audit Team.

The WECC audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (“ROP”) and CMEP.¹

¹ This statement replaces the Regional Entity Self-Certification process.

Audit Process

The compliance audit process steps are detailed in the WECC CMEP. The WECC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

Objectives

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.² The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to HCE, based on the functions that HCE is registered to perform;
- Validate compliance with applicable reliability standards from the NERC YEAR Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by WECC;
- Validate compliance with applicable regional standards from the WECC YEAR Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document HCE's compliance program and culture; and
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the WECC 2011 Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, HCE was registered for the functions of Distribution Provider ("DP"), Load Serving Entity ("LSE"), and Transmission Owner ("TO") functions. The audit team evaluated HCE for compliance during the period of June 18, 2007 to July 27, 2011.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the WECC Delegation Agreement with NERC, and Section 1500 of the NERC ROP. HCE was informed of WECC's obligations and responsibilities under the agreement and

² North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

procedures. The work history for each audit team member was provided to HCE. HCE was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. HCE had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by HCE.

Methodology

The audit team reviewed the information, data, and evidence submitted by HCE and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to WECC twenty (20) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

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

The audit team reviewed documentation provided by HCE. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set is determined by a statistical methodology augmented with professional judgment to ensure that the sample set is representative of the requirement's significance 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.

Company Profile

Holy Cross Energy, founded in 1939, is member-owned, not-for-profit electric cooperative utility providing electricity, energy products and services to more than 55,000 consumers primarily in the Western Colorado counties of Eagle, Pitkin, and Garfield. Holy Cross's service territory consists of areas in Eagle, Garfield, Gunnison, Mesa and Pitkin Counties, all in the State of Colorado, generally described as the Eagle River Valley; the Roaring Fork, Frying Pan and Crystal River Valleys; and the rural areas south of the Colorado River between New Castle and DeBeque, Colorado. HCE owns approximately 120 miles of 115 kV transmission line, configured into two looped feeds (one each in the Eagle River Valley and the Roaring Fork River Valley).

The Roaring Fork River Valley loop is fed from the 230 kV Basalt Transmission substation, which is owned by PSCo. Three HCE-owned distribution substations are fed from this loop. An additional distribution substation is used to serve HCE load off of another PSCo owned 115 kV transmission line.

HCE serves load in its territory between New Castle and DeBeque from two PSCo owned distribution substations.

Audit Participants

The following is a listing of all personnel from the Audit Team and HCE who were present during the meetings or interviews.

Audit Team Participants Operations and Planning

Role	Title	Entity
Audit Team Lead	Senior Compliance Engineer	WECC
Team Member	Compliance Engineer	WECC
Team Member	Consultant	WECC
Documentation	Compliance Program Coordinator	WECC

HCE Audit Participants

Title	Entity
Senior Manager – Engineering Department	HCE

Audit Results

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Findings

The following table details the findings for compliance for the scope identified for this audit.

No Finding (“NF”): The audit team did not discover areas of non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.

Possible Violation (“PV”): The audit team discovered areas of possible non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.

Not Applicable (“NA”):

- The Requirement does not apply to the Registered Entity based on the entity’s registered functions.
- The Requirement applies to the Registered Entity based on their functional registration but the entity does not possess the system(s) referenced in the Requirement.

Open Enforcement Action (“OEA”): At the time of the audit the Registered Entity had an open action item regarding the Requirement. Such items may include, but not limited to, open mitigation plans, self-reports, or settlement agreements.

Reliability Standard	Req.	Finding
CIP-001-1	R1.	No Finding
CIP-001-1	R2.	No Finding
CIP-001-1	R3.	No Finding
CIP-001-1	R4.	No Finding
FAC-003-1	R1.	Not Applicable
FAC-003-1	R2.	Not Applicable
FAC-008-1	R1.	No Finding
FAC-008-1	R2.	No Finding
FAC-009-1	R1.	No Finding
FAC-009-1	R2.	No Finding
IRO-004-1	R1.	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	No Finding
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable
IRO-004-1	R7.	Not Applicable
IRO-005-2	R1.	Not Applicable
IRO-005-2	R2.	Not Applicable
IRO-005-2	R3.	Not Applicable
IRO-005-2	R4.	Not Applicable
IRO-005-2	R5.	Not Applicable
IRO-005-2	R6.	Not Applicable
IRO-005-2	R7.	Not Applicable
IRO-005-2	R8.	Not Applicable
IRO-005-2	R9.	Not Applicable
IRO-005-2	R10.	Not Applicable
IRO-005-2	R11.	Not Applicable
IRO-005-2	R12.	Not Applicable
IRO-005-2	R13.	No Finding
IRO-005-2	R14.	Not Applicable
IRO-005-2	R15.	Not Applicable
IRO-005-2	R16.	Not Applicable
IRO-005-2	R17.	Not Applicable
MOD-004-1	R1.	Not Applicable
MOD-004-1	R2.	Not Applicable
MOD-004-1	R3.	Not Applicable
MOD-004-1	R4.	Not Applicable
MOD-004-1	R5.	Not Applicable

MOD-004-1	R6.	Not Applicable
MOD-004-1	R7.	Not Applicable
MOD-004-1	R8.	Not Applicable
MOD-004-1	R9.	Not Applicable
MOD-004-1	R10.	Not Applicable
MOD-004-1	R11.	Not Applicable
MOD-004-1	R12.	Not Applicable
PRC-STD-003-0	WR1.	Not Applicable
PRC-004-1	R1.	No Finding
PRC-004-1	R2.	Not Applicable
PRC-005-1	R1.	No Finding
PRC-005-1	R2.	No Finding
PRC-STD-005-1	WR1.	Not Applicable
PRC-008-0	R1.	No Finding
PRC-008-0	R2.	No Finding
PRC-011-0	R1.	Not Applicable
PRC-017-0	R1.	Not Applicable
PRC-017-0	R2.	Not Applicable
PRC-023-1	R1.	No Finding
TOP-002-2a	R3.	No Finding
TOP-002-2a	R6.	Not Applicable
TOP-002-2a	R11.	Not Applicable
TOP-002-2a	R18.	No Finding

Compliance Culture

HCE compliance culture was not reviewed by the audit team.

Exit Briefing

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for HCE's personnel summarizing the Audit Team's preliminary findings. The Audit Team leader also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

In Accordance with WECC CMEP Section 3.1.6:

WECC provided the draft of this audit report and an Entity Comment Form to HCE on August 18, 2011 for review and comment. However, HCE provided no comments.

Management Approval

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on September 12th, 2011.