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NERC ID(s):	Registered Entity Name(s)
NCR06047	Lea County Electric Cooperative, Inc.

Reliability Standards Audit Scope:	Compliance Operations (FERC Order 693) Audit Report
Compliance Monitoring Process:	Compliance Audit
Distribution:	Public Version. Confidential Information Has Been Removed, Including Privileged and Critical Energy Infrastructure Information.
Lead Region:	Southwest Power Pool Regional Entity (SPP RE)
Date of Audit:	June 8, 2015
Date of Report:	June 25, 2015
Possible Violations Identified:	One (1)
Jurisdiction:	United States

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I. Executive Summary

Southwest Power Pool Regional Entity (SPP RE) conducted an Operations and Planning compliance audit of Lea County Electric Cooperative, Inc. (LCEC), NERC ID NCR06047, on June 8, 2015].

At the time of the audit, LCEC was registered for the functions of Distribution Provider (DP), Load-Serving Entity (LSE), and Transmission Owner (TO).

Southwest Power Pool, NCR01143, is the Reliability Coordinator (RC), Balancing Authority (BA), Planning Authority (PA), and Transmission Service Provider for LCEC; Southwestern Public Service Co. (Xcel Energy), NCR01145, is the Resource Planner (RP) and Transmission Operator (TOP).

The audit team evaluated LCEC for compliance with nine (9) requirements in the 2015 NERC Compliance Monitoring and Enforcement Program (CMEP) and the SPP RE CMEP Implementation Plan. The team assessed compliance with the NERC Reliability Standards (and Regional Reliability Standards if applicable) for the period of June 9, 2009 to June 8, 2015. LCEC submitted evidence for the team’s evaluation of compliance with requirements. The team reviewed and evaluated all evidence provided to assess compliance with reliability standards applicable to LCEC at this time. Based on the evidence provided, the team’s findings are summarized in Table 1 below:

Table 1. Summary of Findings			
	Possible Violation	Open Enforcement Action*	Total
Reliability Standard Requirements	One (1)	none	One (1)
Regional Standard Requirements	none	none	none
Total	One (1)	none	

*OEAs with newly identified PVs are counted in the PV column only; not in the OEA column. OEAs without newly identified PVs are counted in the OEA column.

The team notified LCEC of three (3) Recommendations.

Possible Violations will be processed as outlined in the NERC CMEP and the SPP RE CMEP Implementation Plan. There were no open mitigation plans; therefore, none were reviewed by the team.

The SPP 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).¹

II. Audit Process

The compliance audit process steps are detailed in the NERC Rules of Procedure, the NERC CMEP, and the SPP RE CMEP Implementation Plan. The Compliance Monitoring and Enforcement Program generally conforms to the United States Government Auditing Standards and other generally accepted audit practices.

Objectives

All registered entities are subject to compliance assessments with all Reliability Standards applicable to the functions for which the registered entity is registered² in the Region(s) performing the assessment. The audit objectives are to:

- Review compliance with the requirements of Reliability Standards that are applicable to LCEC, based on the functions that LCEC is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2015 Risk Elements , and additional NERC Reliability Standards selected by SPP RE based on an Inherent Risk Assessment;
- Validate compliance with applicable Regional Reliability Standards from the SPP RE 2015 Implementation Plan, if applicable;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document LCEC’s compliance program and culture;
- Review the status of open mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the SPP RE 2015 CMEP Implementation Plan in conjunction with an Inherent Risk Assessment of LCEC. In addition, this included a review of mitigation plans or remedial action directives that were open during the audit.

The standards and requirements in scope for this audit are illustrated in Table 2 below:

Table 2. Audit Scope

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

² NERC Rules of Procedure, Appendix 4C, Section 3.1, Compliance Audits.

Standards	Requirement(s)
EOP-004-2	R2
EOP-005-2	R11
FAC-008-3	R3, R6
PRC-004-2.1a	R1
PRC-005-1.1b	R1, R2
PRC-005-2	R3, R4

The team did not expand the scope of the audit beyond what was stated in the notification package.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the SPP RE Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. LCEC was informed of SPP RE's obligations and responsibilities under the agreement and procedures. The work history for each team member was provided to LCEC, which was given an opportunity to object to a team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with a team member's impartial performance of duties. LCEC had not submitted any objections by the stated 15-day objection due date and accepted the team member participants without objection. There were no denials or access limitations placed upon this team by LCEC.

Methodology

The audit team reviewed the evidence submitted by LCEC and assessed compliance with requirements of the applicable reliability standards. SPP RE provided LCEC with a Request for Information (RFI) prior to commencement of the audit. LCEC provided pre-audit evidence at the time requested, or as agreed upon, by SPP RE. Additional evidence could be submitted until the agreed-upon deadline prior to the exit briefing. After that date, only data or information that was relevant to the content of the report or its finding could be submitted with the agreement of the audit team lead.

The audit team reviewed documentation provided by LCEC and requested additional evidence. LCEC provided and the audit team reviewed the additional evidence and sought clarification from subject matter experts during the audit. Evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. were validated, substantiated, and cross-checked for accuracy as appropriate. Third party review was used where appropriate to substantiate LCEC's evidence. All evidence was attested as correct by LCEC's senior management. Where sampling is applicable to a requirement, the sample set was determined by applying the NERC Sampling Methodology, a statistical methodology, along with professional judgment.

Findings were based on the facts and documentation reviewed, the team's knowledge of the Bulk Electric System (BES), the NERC Reliability Standards, and professional judgment. All findings were developed based upon the consensus of the team.

Company Profile

LCEC is an electric cooperative in Southeastern New Mexico and West Texas with 15,893 customers in portions of Chaves, Eddy and Lea Counties in New Mexico and Cochran, Gaines and Yoakum counties in Texas. It has a peak load of 204 MW set on August 6, 2014.

LCEC is currently a full requirements customer of Xcel Energy. LCEC has 37.8 miles of 115 kV transmission line and seven 115 kV ties, all with Xcel Energy. LCEC is a member of Western Farmer's Electric Cooperative (WFEC, NCR01160) and is contractually moving its energy supply to WFEC.

Audit Participants

Following is a list of all personnel from the SPP RE audit team and LCEC who were directly involved during the meetings and interviews.

SPP RE Team Members

Role	Title	Entity
Audit Team Lead	Senior Compliance Engineer	SPP RE
Team Member	Lead Compliance Specialist	SPP RE
Team Member	SPP RE Contractor	Scott Porteous & Associates Inc.

LCEC Participants

Title	Entity
General Manager	LCEC
Assistant Manager	LCEC
Director of System Operations & Compliance	LCEC
System Engineer	LCEC
Safety Coordinator	LCEC
Engineer	LCEC

III. Audit or Spot Check Findings

The following information details the compliance findings for the reliability standards and requirements identified in the scope of this audit. All other reliability standards and requirements in scope for this audit were tested without exception.

1. Reliability Standard # - PRC-005-1.1b

Requirement # - R2 and R2.1

Finding – Possible Violation

IV. Recommendations

The audit team identified and informed LCEC of three (3) Recommendations. The specific details of each Recommendation are described below.

1. FAC-008-3 R1: Develop supporting documentation for emergency ratings, including time limits for use of emergency ratings.
2. FAC-008-3 R1: Add conductor sag limit evaluations to rating methodology.
3. PRC-005-2 R3: Continue the development of action triggers for notification of required upcoming testing due dates.

V. Compliance Culture

The SPP RE audit team performed an assessment of LCEC's compliance culture in conjunction with the audit process. The assessment was accomplished through a review of responses to the Internal Compliance Survey questionnaire and additional information that was gathered during interviews and observations. This included an assessment of factors that characterize vigorous and effective compliance programs including:

- Active engagement and leadership by senior management;
- Effective, in-practice preventive measures appropriate to the circumstances of the company;
- Prompt detection of problems, cessation of misconduct, and reporting of a violation;
- Remediation of the misconduct.

The audit team noted that LCEC:

- Was responsive to all audit team requests
- Was very willing to accept audit team suggestions into consideration
- Provided the PRC-005 Index of testing evidence that enabled the audit team to move through the evidence quickly and correctly.

VI. Post Audit Activities

This report was reviewed and approved by:

Ronald W. Ciesiel

General Manager, SPP RE

June 25, 2015