

# **Eagle Energy Partners I, LP**

## **Final Audit Report**

for Compliance with

## **NERC Reliability Standards**

**Public Version**

Audit Date: August 16, 2007  
Audit Location: Houston, TX  
Report Date: January 10, 2008

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Appendix 1: Applicable Reliability Standards

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## **1.0 EXECUTIVE SUMMARY**

The on-site compliance audit of Eagle Energy Partners (Eagle) was conducted on August 16, 2007. The NERC reliability standards that are being actively monitored for 2007 were reviewed based on Eagles registration as a Generator Operator. The audit team consisted of three representatives from Texas Regional Entity (Texas RE) and one representative from North American Electric Reliability Corporation (NERC). Based on the review of documentation provided by Eagle and the interviews of Eagle personnel, Eagle met all of the NERC Standard requirements that were reviewed.

## **2.0 AUDIT PROCESS**

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP). This document can be found at on the NERC website at [www.nerc.com](http://www.nerc.com).

### **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>1</sup> The audit objectives are:

- Independently review Eagle's compliance with the requirements of the reliability standards that are applicable to Eagle based on the Eagle's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2007 CMEP Implementation Plan list of actively monitored standards.

### **2.2 Scope**

The scope of this compliance audit is inclusive of all requirements of the NERC Standards that are being actively monitored in 2007 and any others that may be identified by the audit team at the time of the audit applicable to Generator Operator. The audit was performed by three members of Texas RE and a NERC representative.

For the 2007 CMEP, the monitoring period for the compliance audit will be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

### **2.3 Methodology**

Once an audit date was set by Texas RE, Eagle was sent a pre-audit questionnaire and the Reliability Standard Auditors Work Sheets (RSAWS) for the list of actively monitored

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

NERC Standards. During the audit, Texas RE reviewed the responses to the RSAWS and pre-audit questions with Eagle management and supervisors. Texas RE audit team interviewed operations personnel and reviewed documents to substantiate those operations personnel were trained and capable of following the procedures to ensure reliable operations from that entity. The audit team also interviewed IT, Communications, and Planning personnel as necessary to get answers to questions and verify documentation.

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

## 2.4 Company Profile

Eagle Energy is a Houston-based energy marketing and services company that manages and optimizes supply, generation, transportation, transmission, load and storage portfolios on behalf of wholesale natural gas and power clients. Energy merchants are intermediaries that physically move power and/or natural gas along a delivery grid for wholesale producers and consumers of energy, while financially managing the price risk of those commodities. In that regard, Eagle markets on behalf of its clients approximately 2 billion cubic feet of natural gas and approximately 35,000 megawatt hours of electricity daily. In addition, the company manages more than 35 billion cubic feet of natural gas storage.

Within the ERCOT region, Eagle Energy manages 1,965 MW's of generation (5 facilities total) and 108 MW's of ERCOT load assets. Eagle's NERC registration is as a Generator Operator (GOP) for each facility. Within the ERCOT region, Eagle Energy is registered as a Qualified Scheduling Entity (QSE).

## 2.5 Audit Specifics

Audit Date: August 16, 2007  
Audit Location: 7904 N. Sam Houston Pkwy, Ste. 200  
Houston, TX 77064

### Audit Team:

<b>Name</b>	<b>Company/Title</b>
Jeff Whitmer	Texas RE/Audit Team Leader
Mark Henry	Texas RE/Auditor
Tony Shiekhi	Texas RE/Auditor
Jacki Power	NERC/Auditor

Eagle Audit Participants:

<b>Name</b>	<b>Company/Title</b>
Mary Anne Brelinsky	Eagle
Rick Abernathy	Eagle
Cliff Hare	Eagle/President
Cody Moore	Eagle
Kyle Wong	Eagle
Jay Hurst	Eagle
Wes Gantier	Eagle
James Malick	Eagle

### 3.0 AUDIT RESULTS

#### 3.1 Findings

The Compliance Audit Team found that Eagle was compliant with all 2007 actively monitored NERC Standards at the time of the audit

<b>Reliability Standard</b>	<b>Auditor Notes</b>	<b>Finding</b>
CIP-001-1	Included in Appendix 2: Confidential & Security Sensitive Information	Compliant
CIP-002-1 through CIP-009-1	Eagle has an implementation plan for CIP-002-1 through CIP-009-1. Full compliance assessment will be conducted in the future, in accordance with NERC's implementation schedule for these standards.	Reviewed
IRO-001-1	Eagle provided a copy of signed agreements by the generator owners, which stated Eagle's system operator authority to direct generator operation.	Compliant
IRO-004-1	Eagle has procedures in place that address the transmittal of information to ERCOT Reliability Coordinator.	Compliant
EOP-009-0	Eagle has no blackstart units.	Not Applicable At this Time
TOP-003-0	Eagle has procedures in place for providing its various planned outage schedules. Eagle provided documentation showing previous submittals.	Compliant

### **3.2 Conclusion**

Eagle Energy Partners was found in compliance with the standards that were audited.

## **4.0 SUMMARY OF EAGLE RESPONSE TO THE AUDIT FINDINGS**

**APPENDIX 1**

**APPLICABLE RELIABILITY STANDARDS**

Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to Eagle Audit? Yes or No
BAL-001-0	All	Real Power Balancing Control Performance	BA	To maintain Interconnection steady-state frequency within defined limits by balancing real power demand and supply in real-time.	The data that supports the calculation of CPS1 and CPS2 (Attachment 1-BAL-001-0) are to be retained in electronic form for at least a one-year period. If the CPS1 and CPS2 data for a Balancing Authority Area are undergoing a review to address a question that has been raised regarding the data, the data are to be saved beyond the normal retention period until the question is formally resolved. Each Balancing Authority shall retain for a rolling 12-month period the values of: one-minute average ACE (ACEi), one-minute average Frequency Error, and, if using variable bias, one-minute average Frequency Bias.	N

<b>Std #</b>	<b>Requirements</b>	<b>Standard</b>	<b>Who</b>	<b>Purpose</b>	<b>Monitoring Timeframe</b>	<b>Applicable to Eagle Audit? Yes or No</b>
BAL-002-0	All	Disturbance Control Performance	BA, RSG, RRO	To ensure the Balancing Authority is able to utilize its Contingency Reserve to balance resources and demand and return Interconnection frequency within defined limits.	Compliance for DCS will be evaluated for each reporting period. Reset is one calendar quarter without a violation.  The data that support the calculation of DCS are to be retained in electronic form for at least a one-year period.	N
BAL-003-0	All	Frequency Response and Bias	BA	This standard provides a consistent method for calculating the Frequency Bias component of ACE.	Yearly or by request.	N
CIP-001-1	All	Sabotage Reporting	RC, BA, TOP, GOP, LSE	Disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.	By request and any events in the last year.	Y
CIP-002-1 through CIP-009-1	All	Critical Infrastructure Protection Standards	BA, GO, GOP, IA, LSE, NERC, RC, RRO, TO, TOP, TSP	Cyber Security Standards- Follow revised Implementation Plan for Cyber Security Standards CIP-002-1 through CIP-009-1	By request.	Y

Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to Eagle Audit? Yes or No
COM-001-1	R2 and R5	Telecommunications	TO, BA, RC, NERCNet User Organizations.	Each Reliability Coordinator, Transmission Operator and Balancing Authority needs adequate and reliable telecommunications facilities internally and with others for the exchange of Interconnection and operating information necessary to maintain reliability.	By request.	N
EOP-001-0	All	Emergency Operations Planning	BA, TOP	Each Transmission Operator and Balancing Authority needs to develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans need to be coordinated with other Transmission Operators and Balancing Authorities, and the Reliability Coordinator.	By request.	N
EOP-003-1	All	Load Shedding Plans	BA, TOP	A Balancing Authority and Transmission Operator operating with insufficient generation or transmission capacity must have the capability and authority to shed load rather than risk an uncontrolled failure of the Interconnection.	R1, R5, R6 - Event Driven. Has an event occurred in the past year? R2, R3, R4, R7, R8 – By request	N
EOP-005-1	All	System Restoration Plans	BA, TOP	To ensure plans, procedures, and resources are available to restore the electric system to a normal condition in the event of a partial or total shut down of the system	By request. Note: entity must follow the timelines specified in the standard: show that the plan is reviewed annually; simulation or testing must be done every 5 years.	N

Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to Eagle Audit? Yes or No
EOP-006-1	All	Reliability Coordination – System Restoration	RC	The Reliability Coordinator must have a coordinating role in system restoration to ensure reliability is maintained during restoration and priority is placed on restoring the Interconnection.	By request.	N
EOP-008-0	All	Plans for Loss of Control Center Functionality	BA, RC, TOP	Each reliability entity must have a plan to continue reliability operations in the event its control center becomes inoperable.	By request.	N
EOP-009-0	All	Documentation of Blackstart Generating Unit Test Results	GO, GOP	To ensure that the quantity and location of system blackstart generators are sufficient and that they can perform their expected functions.	By request. Note entity must meet testing frequency specified in EOP-007-0.	Y
FAC-003-1	All	Vegetation Management	RRO, TO	To improve the reliability of the electric transmission systems by preventing outages from vegetation located on transmission rights-of-way (ROW) and minimizing outages from vegetation located adjacent to ROW, maintaining clearances between transmission lines	By request – program documentation and last 4 quarterly outage reports.	N
FAC-008-1	All	Facility Ratings Methodology	GO, TO	To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology	By request the current methodology and any superseded portions of the methodology within the past 12 months.	N
FAC-009-1	All	Establish and Communicate Facility Ratings	GO, TO	To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.	By request.	N

Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to Eagle Audit? Yes or No
IRO-001-1	All	Reliability Coordination – Responsibilities and Authorities	BA, GOP, LSE, PSE, RC, RRO, TOP, TSP	Reliability Coordinators must have the authority, plans, and agreements in place to immediately direct reliability entities within their Reliability Coordinator Areas to re-dispatch generation, reconfigure transmission, or reduce load to mitigate critical conditions to return the system to a reliable state. If a Reliability Coordinator delegates tasks to others, the Reliability Coordinator retains its responsibilities for complying with NERC and regional standards. Standards of conduct are necessary to ensure the Reliability Coordinator does not act in a manner that favors one market participant over another.	By request.	Y
IRO-004-1	All	Reliability Coordination — Operations Planning	BA, GO, GOP, LSE, RC, TO, TOP, TSP	Each Reliability Coordinator must conduct next-day reliability analyses for its Reliability Coordinator Area to ensure the Bulk Electric System can be operated reliably in anticipated normal and Contingency conditions.	By request.	Y
IRO-014-1	All	Procedures, Processes, or Plans to Support Coordination Between Reliability Coordinators	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas and to preserve the reliability benefits of interconnected operations.	By request.	N

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IRO-015-1	All	Notifications and Information Exchange Between Reliability Coordinators	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas and to preserve the reliability benefits of interconnected operations.	Rolling 12 months of information provided on request.	N
IRO-016-1	All	Coordination of Real-time Activities Between Reliability Coordinators	RC	that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas	Rolling 12 months of information provided on request.	N
PER-002-0	All	Operating Personnel Training	BA, TOP	Each Transmission Operator and Balancing Authority must provide their personnel with a coordinated training program that will ensure reliable system operation.	By request training program and training records.	N
PER-003-0	All	Operating Personnel Credentials	BA, RC, TOP	Certification of operating personnel is necessary to ensure minimum competencies for operating a reliable Bulk Electric System.	By request latest certification information and present calendar year plus previous calendar year staffing plan.	N
PER-004-1	All	Reliability Coordination — Staffing	RC	Reliability Coordinators must have sufficient, competent staff to perform the Reliability Coordinator functions.	By request - Each Reliability Coordinator shall keep evidence of compliance for the previous two calendar years plus the current year.	N

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PRC-004-1	All	Analysis and Mitigation of Transmission and Generation Protection System Misoperations	DP*, GO, TO	Provide trip operation / misoperation information per regional process.	By request – last 12 months of protection system Misoperation analysis.	N
PRC-005-1	All	Transmission and Generation Protection System Maintenance and Testing	DP*, GO, TO	Document/implement transmission protection system maintenance/testing/monitoring PROGRAM	By request - maintenance and testing program and testing records to show that testing intervals are on schedule.	N
PRC-008-0	All	Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program	DP, TO	Document/implement UFLS maintenance/testing PROGRAM	By request - maintenance and testing program and testing records to show that testing intervals are on schedule.	N
PRC-010-0	All	Technical Assessment of the Design and Effectiveness of Undervoltage Load Shedding Program.	DP, LSE, TO, TOP	ASSESS design and effectiveness of UVLS programs	By request – current assessment.	N
PRC-011-0	All	UVLS System Maintenance and Testing	DP, TO	Document/implement UVLS maintenance/testing PROGRAM	By request - maintenance and testing program and testing records to show that testing intervals are on schedule.	N
PRC-016-0	All	Special Protection System Misoperations	DP, GO, TO	DOCUMENT/analyze misoperations	By request – last 12 months of special protection system Misoperation analysis.	N

Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to Eagle Audit? Yes or No
PRC-017-0	All	Special Protection System Maintenance and Testing	DP, GO, TO	Document/implement SPS maintenance/testing PROGRAM	By request - maintenance and testing program and testing records to show that testing intervals are on schedule.	N
PRC-021-1	All	Under-Voltage Load Shedding Program Data	DP, TO	DOCUMENTATION of undervoltage load shedding program	By request – latest UVLS data.	N
TOP-003-0	All	Planned Outage Coordination	BA, GOP, RC, TOP	Scheduled generator and transmission outages that may affect the reliability of interconnected operations must be planned and coordinated among Balancing Authorities, Transmission Operators, and Reliability Coordinators.	By request.	Y
TOP-004-1	R6	Transmission Operations	TOP	To ensure that the transmission system is operated so that instability, uncontrolled separation, or cascading outages will not occur as a result of the most severe single Contingency and specified multiple Contingencies.	By request - Each Transmission Operator shall keep 90 days of historical data for Measure 1. Each Transmission Operator shall have current, in-force policies and procedures, as evidence of compliance to Measure 2.	N
TOP-005-1	All	Operational Reliability Information	BA, PSE, RC, TOP	To ensure reliability entities have the operating data needed to monitor system conditions within their areas.	By request.	N
TOP-007-0	All	Reporting System Operating Limit (SOL) and Interconnection Reliability	RC, TOP	Ensure SOL and IROL violations are being reported to the Reliability Coordinator so that the Reliability Coordinator may evaluate actions being taken and direct additional corrective actions as needed.	Event driven.	N

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TPL-001-0	All	System Performance Under Normal (No Contingency) Conditions	PA, TPL	System performance under normal conditions	By request – latest annual assessment.	N
TPL-002-0	All	System Performance Following Loss of a Single Bulk Electric System Element	PA, TPL	System performance under single contingency	By request – latest annual assessment.	N
TPL-003-0	All	System Performance Following Loss of Two or More Bulk Electric System Elements	PA, TPL	System performance under multiple contingencies	By request – latest annual assessment.	N
TPL-004-0	All	System Performance Following Extreme Events Resulting in the Loss of Two or More Bulk Electric System Elements	PA, TPL	System performance under extreme contingencies	By request – latest annual assessment.	N
VAR-001-1	All	Voltage and Reactive Control	PSE, TOP	To ensure voltage levels, reactive flows, and reactive resources are monitored, controlled, and maintained within limits in real time to protect equipment and the reliable operation of the Interconnection.	By request – last 12 months of data.	N

## **APPENDIX 2**

### **CONFIDENTIAL & SECURITY SENSITIVE INFORMATION**

Note: This section contains confidential & security sensitive information which is not included with the public version, but retained by Texas RE and NERC and is sent privately to the audited entity.

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