

Reliant Energy Power Supply LLC

NERC ID: NCR04115

Reliant Energy Channelview LP

NERC ID: NCR04114

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: June 4 and 5, 2008
Audit Location: Houston, TX
Report Date: October 27, 2008
Prepared By: Jeff Whitmer

TABLE OF CONTENTS

1.0	Executive Summary	3
2.0	Audit Process	3
2.1	Objectives	3
2.2	Scope	3
2.3	Methodology	4
2.4	Company Profile	4
2.5	Audit Specifics	4
3.0	Audit Results	5
3.1	Findings	5
3.2	Conclusion	8
3.3	Compliance Culture	8

1.0 EXECUTIVE SUMMARY

The on-site compliance audit of Reliant Energy Power Supply LLC (Reliant Energy) and Reliant Energy Channelview LP (Reliant Energy) was conducted on June 4 and 5, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on Reliant Energy's registration as a Generator Operator (GOP) and Generator Owner (GO). The audit team consisted of five (5) representatives from Texas Regional Entity (Texas RE). Based on the review of documentation provided by Reliant Energy and the interviews of Reliant Energy personnel, Reliant Energy met all of the NERC Standard requirements.

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 Reliant Energy's compliance with the requirements of the reliability standards that are applicable to Reliant Energy based on Reliant Energy's registered functions
- Validate compliance with applicable reliability standards from the NERC 2008 CMEP Implementation Plan list of actively monitored standards
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Document Reliant Energy's compliance culture.

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of NERC Standards that are being actively monitored in 2008 and any others that may be identified by the audit team at the time of the audit applicable to Generator Operator and Generator Owner. The audit was performed by five (5) members of Texas RE.

For the 2008 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.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Reliant Energy prior to the audit. Work history and conflict of interest forms submitted by

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

each audit team member were provided to the Reliant Energy. Reliant Energy 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. Reliant Energy accepted the audit team member participants with no objections.

2.3 Methodology

Once an audit date was set by Texas RE, Reliant Energy was sent a pre-audit questionnaire and the Reliability Standard Audit Worksheet (RSAW) for the list of actively monitored NERC Standards. During the audit, Texas RE reviewed the responses to the RSAW and pre-audit questions with Reliant Energy 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 a verified the completion of Reliant Energy mitigation plans. The audit team conducted an exit briefing immediately following the audit with Reliant Energy. The audit team verbally shared its preliminary results with Reliant Energy management.

2.4 Company Profile

Reliant Energy Channelview, L.P. is an indirect, wholly-owned subsidiary of Reliant Energy, Inc. Reliant Channelview owns and operates the Channelview Generating Station, a natural gas-fired generating facility with a nameplate capacity of 918 MW located in Channelview, Texas. The Channelview Generating Station is "qualifying cogeneration facility" within the meaning of the Federal Power Act, as amended, and the Public Utility Regulatory Policies Act of 1978, as amended. In August 2007, Reliant Channelview filed a voluntary petition for relief under Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware.

Reliant Energy Power Supply, LLC is an indirect subsidiary of Reliant Energy, Inc. Reliant Energy Power Supply, LLC engages in wholesale purchases and sales of electricity, capacity and ancillary services. Reliant Energy Power Supply, LLC also serves as the qualified scheduling entity for several generating facilities, including the Channelview Generating Station owned and operated by Reliant Channelview and the following generating units owned by Luminant Generation Company: Stryker Creek Unit 1, Trinidad Unit 6, and the Permian Basin combustion turbines 1-5. Reliant Energy Power Supply, LLC itself does not own any generation, transmission, or distribution facilities.

2.5 Audit Specifics

Audit Date: June 4 and 5, 2008
Audit Location: Houston, Texas

Texas RE Audit Team:

Name	Company/Title
Jeff Whitmer	Texas RE/Audit Lead
Tony Shiekhi	Texas RE/Auditor

Name	Company/Title
Rashida Williams	Texas RE/Auditor
Judith James	Texas RE/Auditor
Ryan Clay	Texas RE/Auditor

Reliant Energy Audit Participants:

Name	Company/Title
Dave Manceor	Reliant Energy
Kevin Gresham	Reliant Energy
Rick Keetch	Reliant Energy
Chris Hajovsky	Reliant Energy/Director
Pam Dautel	ICF International
Guy Pickrel	Reliant Energy/Manager
Dave Freysinger	Reliant/SVP – Generation
Trent Carlson	Reliant – VP Regulatory
LaToya Wyche	Reliant Energy – Internal Audit
Dan Hansen	Reliant - Consult Engr - ETS
Jesse Montgomery	Reliant – NERC Compliance Engr – ETS
Courtney Hebert	Reliant Energy
Robert Thebealt	Reliant/Director

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that Reliant Energy was compliant with all 2008 actively monitored NERC Standards at the time of the audit.

The following table is a summary of the auditor’s notes for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	NA
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	NA
BAL-005-0	R7.	NA
BAL-005-0	R8.	NA
BAL-005-0	R9.	NA
BAL-005-0	R10.	NA
BAL-005-0	R11.	NA

Reliability Standard	Requirement	Finding
BAL-005-0	R12.	NA
BAL-005-0	R13.	NA
BAL-005-0	R14.	NA
BAL-005-0	R15.	NA
BAL-005-0	R16.	NA
BAL-005-0	R17.	NA
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002 thru 009		Compliant
COM-002-2	R1.	Compliant
COM-002-2	R2.	NA
EOP-004-1	R1.	NA
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	NA
EOP-004-1	R5.	NA
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-008-1	R1.	NA
FAC-008-1	R2.	NA
FAC-008-1	R3.	NA
FAC-009-1	R1.	NA
FAC-009-1	R2.	NA
IRO-001-1	R1.	NA
IRO-001-1	R2.	NA
IRO-001-1	R3.	NA
IRO-001-1	R4.	NA
IRO-001-1	R5.	NA
IRO-001-1	R6.	NA
IRO-001-1	R7.	NA
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA

Reliability Standard	Requirement	Finding
IRO-004-1	R7.	NA
IRO-005-1	R1.	NA
IRO-005-1	R2.	NA
IRO-005-1	R3.	NA
IRO-005-1	R4.	NA
IRO-005-1	R5.	NA
IRO-005-1	R6.	NA
IRO-005-1	R7.	NA
IRO-005-1	R8.	NA
IRO-005-1	R9.	NA
IRO-005-1	R10.	NA
IRO-005-1	R11.	NA
IRO-005-1	R12.	NA
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	NA
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA
IRO-005-1	R17.	NA
PRC-004-1	R1.	NA
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-016-0	R1.	Compliant
PRC-016-0	R2.	Compliant
PRC-016-0	R3.	Compliant
PRC-017-0	R1.	Compliant
PRC-017-0	R2.	Compliant
TOP-002-2	R1.	NA
TOP-002-2	R2.	NA
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	NA
TOP-002-2	R5.	NA
TOP-002-2	R6.	NA
TOP-002-2	R7.	NA
TOP-002-2	R8.	NA
TOP-002-2	R9.	NA
TOP-002-2	R10.	NA
TOP-002-2	R11.	NA
TOP-002-2	R12.	NA
TOP-002-2	R13.	Compliant

Reliability Standard	Requirement	Finding
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	NA
TOP-002-2	R17.	NA
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	NA
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	NA
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	NA
VAR-002-1	R5.	Compliant

3.2 Conclusion

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

3.3. Compliance Culture

This topic was not discussed during the audit.