



Compliance Audit Report (Public Version)

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

Keystone Urban Renewal, LP.

NCR00810

**Date of Audit
September 2-12, 2008**

**Date of Report
December 12, 2008.**

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Executive Summary

This compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. This compliance audit report will be submitted to NERC.

ReliabilityFirst scheduled the Keystone Urban Renewal, LP (Keystone UR, LP), NERC ID # NCR 00810, for an offsite audit on September 2-12, 2008 to monitor compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to Keystone UR, LP for the Generation Owner function that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the material provided by Keystone UR, LP in response to the initial ReliabilityFirst data request and additional material requested by the audit team during their review as necessary to develop its findings. The ReliabilityFirst audit team reviewed the material and developed the preliminary results on Keystone UR, LP's compliance to the twenty two (22) requirements from eleven (11) NERC Standards which are applicable to the Generation Owner function. The one ReliabilityFirst Corporation Standard for the Generation Owner function was found to be non-applicable for Keystone UR, LP. Of the eleven (11) NERC Standards, six (6) associated requirements in three (3) NERC Standards were determined to not apply to Keystone UR, LP.

Details concerning the findings of this audit team can be found in the Audit Results – Findings area of this report.

Audit Process

The compliance audit process steps are detailed in the NERC CMEP. The NERC 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 audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.¹ The audit objectives are:

- Review Keystone UR, LP's compliance with the requirements of the reliability standards that are applicable to Keystone UR, LP based on Keystone UR, LP's registered function.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

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

- 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 Keystone UR, LP's compliance culture.
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by ReliabilityFirst.
- Validate compliance with applicable ReliabilityFirst reliability standards that apply to Keystone UR, LP.

Scope

Keystone UR, LP is subject to auditing by ReliabilityFirst on a six year basis. This audit was conducted on those standards which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self-certifications, and mitigation plans as appropriate. This audit of Keystone UR, LP included one regional standard.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The audited entity has been informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. The audited entity 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. The audited entity has not submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

Off-site Audit

Keystone UR, LP is subject to an audit once every six years at the minimum as provided by the NERC Rules and Procedures. Keystone UR, LP has been provided 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit Survey
- Internal Compliance Survey
- Audit Agenda as applicable

- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to Keystone UR, LP in both electronic and hardcopy format.

Reliability*First* has discussed with Keystone UR, LP the usage of technical experts and welcomes the usage of technical experts by Keystone UR, LP as it deems necessary to explain their compliance to the standards. Keystone UR, LP has been notified to provide any technical experts or personnel it deems necessary to provide an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to Keystone UR, LP in advance to allow the necessary time to prepare for the audit. Keystone UR, LP cooperation and flexibility with the agenda were appreciated by the audit team.

This audit was conducted in the Reliability*First* offices using material provided by Keystone UR, LP. The audit team made additional calls to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with Keystone UR, LP employees representing subject matter expertise regarding all registered functions of Keystone UR, LP. These interviews, in conjunction with evidence, provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The audit team reviewed the evidence provided by Keystone UR, LP for each requirement of all NERC and Reliability*First* Standards that apply to the function performed by the company to determine if the company complied with that requirement. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and Reliability*First*. The audit team developed the exit briefing of audit findings, presented the audit findings to Keystone UR, LP, and answered all of their questions.

Audit Overview

An Opening Briefing was conducted as a conference call/WebEx to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process

- Exit Briefing and schedule

Audit

The audit team worked as a group and reviewed each applicable requirement to determine if Keystone UR, LP met the requirement. The audit followed the agenda closely. The audit team requested additional information if it could not determine compliance or if clarification of the existing information was needed. Keystone UR, LP provided additional information or clarified existing information with review of its subject matter experts as needed.

Exit Briefing

The audit team used a web based exit presentation and teleconference to present the findings to the Keystone UR, LP staff. Keystone UR, LP senior management attended the exit briefing presentation. Keystone UR, LP was prepared for the audit and presented its documentation in a complete and concise manner. The team lead explained the findings from the audit. The presentation was attended by the following Keystone UR, LP staff:

| Title | Keystone UR , LP Organization |
|--------------------------------------|--------------------------------------|
| General Manager | Keystone UR, LP |
| Operations Manager | Keystone UR, LP |
| Senior Safety Specialist | Keystone UR, LP |
| Maintenance Manager | Keystone UR, LP |
| VP, Operations | Cogentrix Compliance Group |
| Operations Manager, Special Projects | Cogentrix Compliance Group |
| Operations Compliance Coordinator | Cogentrix Compliance Group |
| Operations Compliance Supervisor | Cogentrix Compliance Group |

The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements, the reporting process going forward, and audit feedback.

Company Profile

Keystone UR, LP performs the following NERC function in the Reliability*First* region and is registered with NERC/Reliability*First* for the following function:

- Generation Owner (GO)

Keystone UR, LP owns and operates one generation plant in New Jersey. This plant is within the PJM Balancing Authority. PJM is the reliability coordinator and transmission operator. Atlantic City Electric Company is the transmission owner.

Audit Specifics

The compliance audit was conducted on –September 2-12, 2008 at the ReliabilityFirst office in Akron, OH.

Audit Team

| Audit Team Role | Title | Company |
|------------------------|-----------------|------------------|
| Lead | Senior Engineer | ReliabilityFirst |
| Member | Senior Engineer | ReliabilityFirst |

Keystone UR, LP Audit Participants

| Title | Keystone UR Organization |
|--------------------------------------|---------------------------------|
| General Manager | Keystone UR, LP |
| Operations Manager | Keystone UR, LP |
| Senior Safety Specialist | Keystone UR, LP |
| Maintenance Manager | Keystone UR, LP |
| VP, Operations | Cogentrix Compliance Group |
| Operations Manager, Special Projects | Cogentrix Compliance Group |
| Operations Compliance Coordinator | Cogentrix Compliance Group |
| Operations Compliance Supervisor | Cogentrix Compliance Group |

Audit Results

Twenty two (22) requirements apply to Keystone UR, LP from Eleven (11) NERC Standards which are applicable to the Generation Owner function that Keystone UR, LP is registered to perform in the ReliabilityFirst area. The one ReliabilityFirst Corporation Standard for the Generation Owner function was found to be non-applicable for Keystone UR, LP. Of the eleven (11) NERC Standards, six (6) associated requirements in three (3) NERC Standards were determined to not apply to Keystone UR, LP.

Keystone UR, LP was prepared for the audit and presented its documentation in a complete and concise manner. Keystone UR, LP did not have any violations or mitigation plans open for

review during this audit. Keystone UR, LP was found to be fully compliant with sixteen (16) requirements, in eight (8) NERC Standards.

Findings

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. The table includes details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

Keystone UR, LP Off-site Audit Findings Table

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| EOP-009-0 | R2. | N/A |
| FAC-008-1 | R1. | Compliant |
| FAC-008-1 | R2. | Compliant |
| FAC-008-1 | R3. | Compliant |
| FAC-009-1 | R1. | Compliant |
| FAC-009-1 | R2. | Compliant |
| IRO-004-1 | R4. | Compliant |
| MOD-010-0 | R1. | Compliant |
| MOD-010-0 | R2. | Compliant |
| MOD-012-0 | R1. | Compliant |
| MOD-012-0 | R2. | Compliant |
| PRC-004-1 | R2. | Compliant |
| PRC-004-1 | R3. | Compliant |
| PRC-005-1 | R1. | Compliant |
| PRC-005-1 | R2. | Compliant |
| PRC-016-0 | R1 | N/A |
| PRC-016-0 | R2 | N/A |
| PRC-016-0 | R3 | N/A |
| PRC-017-0 | R1 | N/A |
| PRC-017-0 | R2. | N/A |
| VAR-002-1 | R4. | Compliant |
| VAR-002-1 | R5. | Compliant |
| EOP-007-RFC-01 | R4. | N/A |

Compliance Culture

Keystone Urban Renewal, LP provided documentation to demonstrate its compliance to the requirements of the applicable standards in the form of the Cogentrix NERC and Regional Reliability Standard Compliance Program and Implementation Policy Statement, dated 7/18/07, and signed by Tony Halcomb, VP-Operations. All of the documentation submitted by Keystone UR, LP was complete and in order such that the audit team could reasonably determine Keystone UR, LP's compliance to the applicable requirements. Keystone UR, LP provided additional evidence and clarifications in a timely manner when requested by the audit team. Keystone UR,

LP completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets.

Keystone UR, LP is a part of the corporate-wide NERC compliance program at Cogentrix. Keystone UR, LP staff was able to supply additional evidence of compliance in a timely manner when requested by the audit team. Its quick response to additional questions is evidence of a comprehensive compliance program. Keystone UR, LP's wide staff participation in the initial conference call and webcast is also evidence of a strong compliance culture at Keystone UR, LP.

The oversight by corporate management strengthens the Keystone UR, LP compliance program.