

# **Frontera Generation Limited Partnership**

**NERC ID # NCR04072**

## **Audit Report**

**for Compliance with**

## **NERC Reliability Standards**

**Public Version**

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

Audit Date: October 15 – 16, 2008  
Audit Location: Texas Regional Entity  
Report Date: November 26, 2008  
Prepared By: Bill Lewis, Audit Team Leader

## 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 .....	6
3.3.	Compliance Culture .....	6

## **1.0 EXECUTIVE SUMMARY**

The Table Top compliance audit of Frontera Generation Limited Partnership (Frontera) was conducted on October 15 – 16, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on Frontera's registration as a GO (Generator Owner). 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 Frontera and the interviews of Frontera's personnel, Frontera 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](http://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.<sup>1</sup> The audit objectives are:

- Independently review Frontera's compliance with the requirements of the reliability standards that are applicable to Frontera based on the Frontera'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 Frontera's compliance culture.

### **2.2 Scope**

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability 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 Owner. The audit was performed by three members of Texas RE and a NERC representative.

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 Frontera prior to the audit. Work history and conflict of interest forms submitted by each

---

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

audit team member were provided to the Frontera. Frontera 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. Frontera accepted the audit team member participants with no objections.

### 2.3 Methodology

Once an audit date was set by Texas RE, Frontera was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheet (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 Frontera's 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 Frontera. The audit team verbally shared its preliminary results with Frontera's management.

### 2.4 Company Profile

Frontera Generation LP is a subsidiary of Direct Holdings, Inc., an affiliate of Direct Energy. Frontera Generation LP operates the Frontera Energy Center, a combined cycle generation plant with a combined nameplate rating of 621 MVA.

### 2.5 Audit Specifics

Audit Date: October 15 – 16, 2008  
Audit Location: Texas Regional Entity

Texas RE Audit Team:

Name	Company/Title
Bill Lewis	Texas RE/Audit Team Leader
Kent Grammer	Texas RE/Auditor
Chris Humphreys	Texas RE/Auditor
Jule Tate	NERC/Auditor

Frontera Audit Participants:

Name	Company/Title
Joel Firestone	Direct Energy / Manager Government and Regulatory Affairs
Michael Taylor	Direct Energy / Plant Director Frontera
Bray Dohrwardt	Direct Energy / Senior Director Government and Regulatory Affairs
David Selsky	Direct Energy / Vice President Upstream Asset Management

### 3.0 AUDIT RESULTS

#### 3.1 Findings

The Compliance Audit Team found that Frontera 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:

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
CIP-002-1 through CIP-009-1		Reviewed
EOP-009-0	R1.	N/A
EOP-009-0	R2.	Compliant
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	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
PRC-004-1	R1.	N/A
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	R1.	N/A
VAR-002-1	R2.	N/A
VAR-002-1	R3.	N/A

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

### **3.2 Conclusion**

Frontera was found in compliance with the standards that were audited.

### **3.3. Compliance Culture**

Based on the information provided in the Audit General Information Request and the audit results, Frontera generation LP has a compliance program in place which promotes compliance within the company. Frontera Generation LP was cooperative with the audit team's additional information requests throughout the audit.