



**Compliance Audit Report
Public Version**

**Confidential Information (including Privileged and
Critical Energy Infrastructure Information) has
been Removed**

**Liberty Power Corporation, LLC
NERC ID# - NCR00813**

And

**Liberty Power Maryland, LLC
NERC ID# - NCR00814**

Date of Audit: October 23 – 28, 2008

Date of Audit Report: January 21, 2009

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Executive Summary

The off-site compliance audit of Liberty Power Corporation LLC, and Liberty Power Maryland, LLC (LP), both of which are registered as a Purchasing-Selling Entity (PSE) was conducted from October 23 – October 28, 2008 at the offices of ReliabilityFirst Corporation (RFC) in Akron, OH. The audit team consisted of one ReliabilityFirst auditor and contract auditor.

The audit team evaluated LP for compliance with five (5) NERC reliability standards which consisted of seven (7) requirements for the period of June 18, 2007 to October 28, 2008. LP submitted information and documentation to facilitate the audit team's evaluation of compliance with these standards which are applicable to the registered functions. The audit team reviewed and evaluated the documentation provided by LP to determine compliance with the referenced standards.

Of the seven (7) NERC requirements audited, two (2) were not applicable with the remaining five (5) found to be compliant. The basis for these findings is detailed in the Audit Result Findings.

There were no on-going mitigation plans and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the NERC and ReliabilityFirst Compliance Monitoring Enforcement Programs (CMEP). The NERC and ReliabilityFirst CMEPs generally conform to the United States Government Accountability Office Government Auditing Standards (GAOGAS) 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. The audit objectives are:

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

Scope

LP is subject to monitoring 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 and those selected by ReliabilityFirst. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self-certifications and mitigation plans as appropriate.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and Section 1500 of the NERC Rules and Procedures. LP was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to LP. LP 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 an audit team member's impartial performance of duties. LP had not submitted any objections by the stated fifteen day objection due date and by this action, had accepted the audit team member participants without objections.

Off-site Audit

LP is subject to an audit once every six years at the minimum as provided by the NERC Rules of Procedure. LP was provided with a sixty (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 to LP 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 LP in both electronic and hardcopy format. ReliabilityFirst discussed with LP the usage of technical experts and welcomed the use of technical experts by LP as it deemed necessary to explain their compliance to the standards.

At times, and according to the generally accepted government auditing standard 3.31, auditors are required to use professional judgment in planning, performing audits, attestation engagements and in reporting the results.

Additionally, and with the generally accepted government auditing standard 3.39, while this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization.

Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

Methodology

Reliability*First* conducted this compliance audit off-site. Sixty (60) days prior to this scheduled audit, LP had been provided with a pre-audit package, which included all the necessary documents and information, required by NERC and Reliability*First*, to complete the audit process. Upon receipt and review of the submitted information and evidence, the audit team conducted a review of the information and evidence for compliance to the applicable standards. With reviews completed on the applicable requirements, the audit team conducted an exit briefing to provide the entity with the team findings. A draft report was compiled for review by Reliability*First* and the audited entity in both a public and non-public version. After completion of this review, the final reports are submitted to the audited entity and NERC for posting. This off-site audit followed the following format:

Opening Briefing

An Opening Briefing was conducted as a conference call 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 consisted of one ReliabilityFirst Compliance person, and a contractor working for ReliabilityFirst. The ReliabilityFirst Compliance staff individual was designated as the audit team lead responsible for facilitating the audit process and serving as the primary contact person for the audit, while the ReliabilityFirst contract person participated and recorded findings as determined by evaluation of the submitted evidence with the team lead. Audit team members substantiated findings to support a possible compliance violation utilizing the sufficiency, credibility and appropriateness of submitted evidence. Any clarifications and additional requests for evidence were communicated to LP's primary contact through phone conversations and/or email.

The ReliabilityFirst Audit team reviewed each reliability standard and applicable requirements, then evaluated and measured the evidence provided by the entity against the requirement within the standard. When there was concern that the supporting evidence did not meet the requirement, clarification calls and/or clarification emails were sent to the entity for additional detail, and/or additional evidence in the form of examples. LP was NOT permitted to create new documents or edit existing material and documents that were provided as evidence.

Exit Briefing

An Exit Briefing was conducted with a presentation via conference call for the off-site audit of LP. The ReliabilityFirst audit team and the LP team participated. Status of the off-site audit process was explained, followed by audit scope, preliminary audit findings and basis, recommendations, compliance audit report process, and feedback forms. If possible violations were identified during the audit they would have been reviewed during the discussion of our preliminary results. LP was provided an opportunity to ask questions that the audit team addressed. In addition, the audit team identified recommendations on quality of evidence that were reviewed with LP.

Company Profile

Liberty Power companies do not own or operate BES assets nor do they own or operate any generation and are registered as PSEs in the ReliabilityFirst region. LP uses Fluent Energy Corporation for its energy procurement services. Fluent Energy submits the demand schedule and any pre-arranged energy supplies to PJM. Once Liberty Power's interchange has been scheduled and confirmed Fluent notifies Liberty Power if any discrepancies have occurred so that they may be addressed on a timely basis.

The total number of customers LP serves is 1656 with a breakdown of three (3) residential, forty-seven (47) large commercial/Industrial, and 1606 small commercial.

LP does not operate in a 24/7 environment and has not received any directives from PJM, its Reliability Coordinator, in the twelve (12) months prior to the audit.

Audit Specifics

The compliance audit was conducted on October 23 - 28 at the Reliability*First* office in Akron, Ohio.

Reliability*First* Audit Team Participants

Audit Team Role	Title	Company
Lead	Senior Consultant Operations	Reliability <i>First</i>
Member	Contractor	Reliability <i>First</i> Contractor

LP Audit Participants

Title	Organization
Paralegal, Regulatory Compliance and Contracts Administrator	Liberty Power Corporation , LLC and Liberty Power Maryland, LLC
Vice President, Wholesale Supply Operations	Liberty Power Corporation , LLC and Liberty Power Maryland, LLC

Audit Results

The audit team evaluated compliance with five (5) NERC reliability standards for the period June 18, 2007 to October 28, 2008. The audit team used data provided by LP to determine compliance with standards.

Of the seven (7) NERC requirements audited, two (2) were not applicable and five (5) were found to be compliant.

The audit team reviewed LP's documentation in the form of one (1) hardcopy manual submitted by LP. This submitted evidence was very well organized and supported by electronic versions and additional collaborating evidence as required.

Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2008 Implementation Plan for this audit:

LP Audited Reliability Standards

Reliability Standard	Req	Finding
INT-001-2	R1. & Sub Reqs	Compliant
INT-004-2	R1.	N/A
INT-004-2	R2.	N/A
IRO-001-1	R8.	Compliant
IRO-005-1	R13.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

Primary compliance for LP is the responsibility of the Office of Law under the supervision of the General Counsel. The Vice President has the ultimate responsibility for ensuring compliance.

The Wholesale Operations Supply Group (WOSG) consists of a Vice President of WOSG, Director of Energy Supply, Director of Trading, and one WOSG analyst. The Vice President reports to the Chief Operating Officer of the Company.

The Vice President of WOSG sits on the various Executive Committees of the company, reports directly to the Chief Operating Officer, and has direct access to the Chief Executive Officer and other Executive Committee members.

LP feels that the WOSG has sufficient staffing and budget at this time to deal with any reliability/compliance issues.