



Compliance Audit Report Public Version

**City Power Marketing, LLC
NERC ID# NCR00723**

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

Date of Audit: October 13 - 17, 2008

Date of Audit Report: November 13, 2008

TABLE OF CONTENTS

Executive Summary	1
Audit Process	2
<i>Objectives</i>	2
<i>Scope</i>	2
<i>Confidentiality and Conflict of Interest</i>	2
<i>Off-site Audit</i>	3
<i>Methodology</i>	4
<i>Opening Briefing</i>	4
<i>Audit</i>	4
<i>Exit Briefing</i>	4
<i>Company Profile</i>	5
<i>Audit Specifics</i>	5
Audit Results.....	6
<i>Findings</i>	7
<i>Compliance Culture</i>	7

Executive Summary

An off-site compliance audit of City Power Marketing, LLC was conducted from October 13, 2008 to October 17, 2008. At the time of the audit, City Power Marketing, LLC was registered for the Purchasing Selling Entity (PSE) function.

The audit team evaluated City Power Marketing, LLC for compliance with seven (7) requirements in six (6) NERC Reliability Standards for the period of June 18, 2007 to October 17, 2008. City Power Marketing, LLC submitted information and documentation to aid the audit team's evaluation of compliance with standards. The audit team reviewed and evaluated all information provided by City Power Marketing, LLC to assess compliance with standards applicable to the PSE function.

Based on the information and documentation provided by City Power Marketing, LLC, the audit team made the following determinations: three (3) requirements and two (2) NERC Reliability Standards were determined to be not applicable to City Power Marketing, LLC. City Power Marketing, LLC was found to be compliant with four (4) requirements in four (4) applicable NERC Reliability Standards. The audit team did not identify any possible compliance violations of NERC Reliability Standards. These results are further explained in the Audit Results section of this report which includes detailed information of the audit team's determination of applicability and compliance for the Reliability Standards within the scope of the compliance audit.

There were no ongoing 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 and Enforcement Program (CMEP). The NERC and ReliabilityFirst CMEP generally conform 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 entity is registered. The audit objectives are to:

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

Scope

The scope of the compliance audit included applicable NERC Reliability Standards in the NERC 2008 Implementation Plan.

At the time of the audit, City Power Marketing, LLC was registered for the Purchasing Selling Entity (PSE) function. The audit team evaluated City Power Marketing, LLC for compliance with six (6) NERC Reliability Standards for the period of June 18, 2007 to October 17, 2008.

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 of Procedure. City Power Marketing, LLC was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to City Power Marketing, LLC. City Power Marketing, LLC 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. City Power Marketing, LLC had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection.

Off-site Audit

City Power Marketing, LLC is currently subject to a compliance audit at a minimum of once every six years. City Power Marketing, LLC was provided with a sixty (60) day notification of this scheduled audit and at that time, all necessary documents required by the *ReliabilityFirst* audit process were provided. The following documents were provided to City Power Marketing, LLC as part of the notification:

- 60-day Notification letter which contained a request for evidence, information and data submittals
- Compliance Audit Survey
- Internal Compliance Program 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 City Power Marketing, LLC in both electronic and hardcopy format.

ReliabilityFirst discussed the usage of technical experts with City Power Marketing, LLC and allowed their use as deemed necessary by City Power Marketing, LLC to provide the audit team an understanding of the evidence provided to demonstrate their compliance to the standards.

An audit agenda was provided to City Power Marketing, LLC in advance to allow the necessary time to prepare for the audit. City Power Marketing, LLC's cooperation and flexibility with the agenda was appreciated by the audit team.

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

ReliabilityFirst staff conducted the audit off-site. The audit team reviewed the information, evidence and data submitted by City Power Marketing, LLC and assessed compliance with requirements of applicable Reliability Standards. The audit team requested and received, via email and phone conversations, additional information and clarification when the audit team determined it was necessary.

Opening Briefing

An Opening Briefing was conducted on October 13, 2008 via a conference call/Webex utilizing a PowerPoint presentation 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 staff member and one contract auditor. The ReliabilityFirst Compliance staff member was designated as the audit team lead responsible for facilitating the audit process, serving as the primary contact person for the audit team, and completing the audit report. The audit team worked together to review evidence provided by City Power Marketing, LLC and assessed compliance with the requirements of the standards that were audited. Requests for additional information, verification and clarification were communicated to the City Power Marketing, LLC primary contact through phone conversations and/or email. City Power Marketing, LLC was NOT permitted to create new documents and or edit existing material and or documents that were previously provided as evidence.

Exit Briefing

The audit team conducted an exit briefing with City Power Marketing, LLC on October 17, 2008 via a conference call/Webex utilizing a PowerPoint presentation. The primary and alternate compliance contacts for City Power Marketing, LLC participated in the exit briefing. The status of the off-site audit process was discussed, followed by audit scope, preliminary audit findings

and compliance audit report process. No possible violations were identified during the audit and this was discussed with the preliminary results. City Power Marketing, LLC was provided an opportunity to ask questions that the audit team addressed.

Company Profile

City Power Marketing, LLC is a registered Purchasing Selling Entity with offices in Cherry Hill New Jersey. City Power Marketing, LLC makes intra-day and next day energy trades in three markets; PJM, MISO and NYISO. City Power Marketing, LLC does not have any customers and transacts directly with the market operators.

Audit Specifics

The compliance audit was conducted from October 13, 2008 to October 17, 2008 at the ReliabilityFirst offices in Akron, Ohio.

Audit Team Participants

Audit Team Role	Title	Company
Team Lead	Senior Compliance Engineer	ReliabilityFirst
Team Member	Consultant	ReliabilityFirst

City Power Marketing, LLC Audit Participants

Title	Organization
CFO & Compliance Officer	City Power Marketing, LLC
President & CEO	City Power Marketing, LLC

Audit Results

The audit team evaluated City Power Marketing, LLC's compliance with seven (7) requirements in six (6) NERC Reliability Standards for the period of June 18, 2007 to October 17, 2008. The audit team used data provided by City Power Marketing, LLC to determine compliance with standards. Based on information provided by City Power Marketing, LLC, of the six (6) Reliability Standards audited, three (3) requirements and two (2) standards were determined to be not applicable. The audit team determined that City Power Marketing, LLC was compliant with four (4) requirements in four (4) NERC Reliability Standards. The audit team found that City Power Marketing, LLC did not have any possible violations of NERC Reliability Standards that were within the scope of the compliance audit.

The audit team carefully and methodically reviewed the submitted evidence and discussed findings as a team to determine if the evidence met the requirements of the Reliability Standards. If the evidence was inadequate or did not cover all of the requirements in the Reliability Standard, the audit team asked for additional evidence and/or clarification. City Power Marketing, LLC provided a primary compliance contact for clarification through phone conversations and e-mail correspondence. Throughout the audit, the audit team members took notes on findings of evidence of compliance.

The audit team reviewed documentation in hardcopy and electronic forms provided by City Power Marketing, LLC

Findings

The following table details the findings for compliance with the Reliability Standards listed in the NERC 2008 Implementation Plan and/or selected for this audit:

Reliability Standard	Requirement	Finding
INT-001-2	R1.	N/A
INT-004-1	R1.	N/A
INT-004-1	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

City Power Marketing, LLC reviews the rules, practices and standards adopted by the various markets in which City Power Marketing, LLC is active. City Power Marketing, LLC assumes that these rules, practices, and standards are compliant and do not conflict with the NERC reliability standards. City Power Marketing, LLC has also reviewed the NERC reliability standards that are the subject of this audit.

City Power Marketing, LLC does not have a formal reliability training process. However, the City Power Marketing, LLC traders are aware of the NERC reliability standards and, to the extent appropriate, how to comply with them. City Power Marketing, LLC's two traders are the only individuals authorized to make transactions within the markets. These individuals have been trained regarding the rules and regulations for trading within PJM, MISO and the NYISO, including the reliability measures mandated by each, and their Regional Entities.