



Compliance Audit Report Public Version

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Iberdrola Renewables
(Formerly registered as PPM Energy, Inc.)
NCR10259
August 25 – 29, 2008

August 29, 2008

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Iberdrola Renewables as a part of its normal six year cycle. Review of documentation submitted by Iberdrola Renewables took place at the MRO offices on August 25 – 29, 2008. The team conducted an audit conference call on August 29, 2008 at the MRO office. The audit team consisted of three MRO staff members.

The North American Electric Reliability Corporation (NERC) has designated a subset of Reliability Standards for active compliance monitoring and reporting by the Regional Entities in their 2008 implementation plan. NERC has identified 62 standards as “actively monitored” which contain 294 requirements. These compliance audits focus on the period from June 18, 2007 to the audit date.

Iberdrola Renewables is registered with the MRO as responsible for 2 functions. As a result of this registration and for this audit, Iberdrola Renewables is responsible for meeting compliance with 17 Reliability Standards which contain 40 requirements. Iberdrola Renewables is found to be in full compliance with 40 requirements. An additional eight standards and their requirements were monitored as a part of the 2007 Critical Infrastructure Protection (CIP) survey. In July 2008, a special CIP self-certification was conducted for all Registrants. No alleged violations of requirements were identified during the course of the 2008 Compliance Audit.

As a part of the audit process, Iberdrola Renewables completed an Audit Questionnaire and provided the MRO with supporting documentation for their audit. Upon completion of the initial review of evidence, the audit team requested additional documentation and identified the subject matter experts to be interviewed.

During the conference call, the Iberdrola Renewables staff was found to be cordial, willing to clarify any questions and, when needed, directed the audit team to the correct supporting documentation. The subject matter experts were open with their responses and were cooperative throughout the process.

Audit Process

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Plan (CMEP). The NERC CMEP conforms to the Generally Accepted Government Auditing Standards (GAGAS).

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 Iberdrola Renewables's compliance with the requirements of the reliability standards that are applicable to Iberdrola Renewables based on the Iberdrola Renewables's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 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.

Scope

The Iberdrola Renewables Compliance Audit was conducted as a part of its normal six year cycle. The 2008 Compliance Program consists of 54 actively monitored Standards. Thirty-seven of these Standards were deemed not applicable, which are related to functions other than GO and GOP. Documentation since June 18, 2007 was reviewed.

Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the NERC representative and regional entity staff were available to the audited entity in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were available to the audited entity if requested. 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 accepted the audit team member participants with no objections.

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

Methodology

Audit criteria included standards, measures, and expectations based on best practices. The criteria were objective, measurable, complete and relevant to the objectives. The audit team accepted and was not limited to policies, procedures, screen-prints of EMS, copies of operator logs, audio clips, and correspondence. If needed, additional supporting documentation or clarification was requested.

To ensure consistency and fairness during each compliance audit the audit team utilizes the following:

- The NERC Violation Risk Factor (VRF) Standards Applicability Matrix was utilized to determine which Standards and Requirements were applicable to Iberdrola Renewables.
- The Reliability Standards Auditor Worksheets (RSAW) to review each reliability standard during the compliance audit.
- FERC Order 693 was used for clarification of Standards in some instances.

Audit Overview

In September, 2007, the MRO scheduled PPM Energy Inc., now doing business as Iberdrola Renewables to receive a compliance audit on August 20-21, 2008 as a part of their normal six year cycle. On May 27, 2008 the MRO sent Iberdrola Renewables the audit package which included *the On-Site Notification, Pre-Audit Survey, Procedures for Conducting an Audit, Subject Matter Experts Spreadsheet, Preparing for Compliance and Compliance Audit* and the *2008 MRO Audit Questionnaire*.

Audit

Two weeks prior to the audit, Iberdrola Renewables supplied MRO most of the supporting documentation needed to demonstrate compliance. MRO staff reviewed this documentation in the MRO offices. The compliance staff utilized the NERC Standards and the RSAW while reviewing the supporting documents and the Audit Questionnaire response provided by Iberdrola Renewables.

After evaluation of the supporting documentation, a set of questions were developed to be posed to subject matter experts for Iberdrola Renewables and missing supporting evidence was identified. During the conference call, the team of auditors was able to review the necessary documents and conduct interviews of the subject matter experts. These interviews, in conjunction with supporting evidence, provided the audit team with a basis for verifying compliance with reliability standards. Subject matter experts for the following standards were requested to be available: FAC-009, IRO-001, 005, TOP-002, 003.

Audit (Conference call)

The MRO presented a high level overview of the compliance audit process.

The auditor code of conduct was reviewed. MRO staff must adhere to confidentiality as required through the NERC Delegation Agreement.

Exit Briefing

Upon completion of the audit conference call, MRO conducted the Exit Briefing.
All documentation is stored at the MRO office in a fire proof locked cabinet.

Company Profile

Iberdrola Renewables is one of the largest developers, constructors, and operators of wind power projects in North America with more than 2,000 Megawatts (MW) of wind energy in operation or under construction. Iberdrola Renewables also owns more than 500 MW of thermal generation throughout the United States. Iberdrola Renewables enjoys the resources of its international corporate parent, Iberdrola Renovables, S.A., publicly listed on the Madrid stock exchange and a world leader in the development of renewable power. Iberdrola Renovables, S.A., is 80 percent owned by Iberdrola, S.A., a Spanish utility which is also publicly listed on the Madrid stock exchange. Iberdrola, S.A. is among Europe's major energy companies and operates gas and electricity businesses in 28 countries.

Iberdrola Renewables, formerly registered as PPM Energy Inc., is an independent Power Producer within the MRO Region. Iberdrola Renewables owns the following generating units located within the Balancing Authority footprint of multiple Balancing Authorities.

Minnesota: Trimont – 100 MW Wind Generating Facility connected to Xcel Energy system at 345kV.

South Dakota: MinnDakota - 150 MW Wind Generating Facility connected to Xcel Energy system at 34.5kV.

Iowa: Top of Iowa 2 - 80 MW Wind Generating Facility connected to Alliant Energy system at 161kV.

The Midwest Reliability Organization (MRO) is Iberdrola Renewables's Regional Entity and the Midwest ISO is Iberdrola Renewables's Reliability Coordinator. Iberdrola Renewables is registered in the MRO as the following NERC Functional Entities: Generator Owner, Generator Operator.

Audit Specifics

The compliance audit conference call was conducted on August 29, 2008 in the MRO office.

Audit Team

Audit Team Role	Title	Company
Lead	Compliance Audit Manager	MRO
Member	Engineer	MRO
Member	Compliance Program Principle	MRO

Iberdrola Renewables Audit Participants

Title	Iberdrola Renewables Organization
Market Structure Manager	Reliability and Compliance Group
Regulatory Compliance Analyst	Reliability and Compliance Group
Senior Counsel	Legal

Audit Results

- Iberdrola Renewables provided the audit team with supporting documentation for review prior to the conference call. The audit team spent two days prior to the conference call reviewing the supplied documentation. As a result of reviewing this evidence, the audit team developed questions for the subject matter experts and a list of additional required documentation.
- Iberdrola Renewables provided the requested additional documents within the next 2 business days.
- Iberdrola Renewables personnel were allowed to speak freely without interruption from management during the subject matter expert interviews.
- The audit team utilized the Reliability Standard Auditor Worksheets (RSAW) in order to assess compliance of the reliability standards. The primary questions of the subject matters were documented in addition to the requests for additional evidence.

Findings

Compliance Audit

Conducted On: **Aug 25, 2008**

Entity: **Iberdrola Renewables (IR-PPM)**

Address: **1125 NW Couch, Suite 700, Portland, Oregon 97209, United States**

NERC Compliance Registry ID: **NCR10259**

Standard Requirement	Compliant
BAL-005-0 R1	Yes
CIP-001-1 R1	Yes
CIP-001-1 R2	Yes
CIP-001-1 R3	Yes
CIP-001-1 R4	Yes
COM-002-2 R1	Yes
EOP-004-1 R2	Yes
EOP-004-1 R3	Yes
EOP-009-0 R1	Yes
EOP-009-0 R2	Yes
FAC-008-1 R1	Yes
FAC-008-1 R2	Yes
FAC-008-1 R3	Yes
FAC-009-1 R1	Yes
FAC-009-1 R2	Yes
IRO-001-1 R8	Yes
IRO-004-1 R4	Yes
IRO-005-1 R13	Yes
PRC-004-1 R2	Yes
PRC-004-1 R3	Yes
PRC-005-1 R1	Yes
PRC-005-1 R2	Yes
PRC-016-0 R1	Yes
PRC-016-0 R2	Yes
PRC-016-0 R3	Yes
PRC-017-0 R1	Yes
PRC-017-0 R2	Yes
TOP-002-2 R13	Yes
TOP-002-2 R14	Yes
TOP-002-2 R15	Yes
TOP-002-2 R18	Yes
TOP-002-2 R3	Yes
TOP-003-0 R1	Yes
TOP-003-0 R2	Yes
TOP-003-0 R3	Yes
VAR-002-1 R1	Yes
VAR-002-1 R2	Yes
VAR-002-1 R3	Yes
VAR-002-1 R4	Yes
VAR-002-1 R5	Yes

Compliance Culture

The Iberdrola Renewables compliance culture was not reviewed by the audit team. The Regional Entity compliance staff will review the Iberdrola Renewables compliance culture.