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Compliance Audit Report Public Version

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

Constellation Energy Commodities
Group Maine, LLC
NCR07050

November 24 to December 17, 2008

12/17/2008

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Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

The offsite compliance audit of Constellation Energy Commodities Group Maine, LLC was conducted between November 24 and December 17, 2008. The audit was completed using data submitted by Constellation Energy Commodities Group Maine and telephone and email data exchanges. The audit team evaluated Constellation Energy Commodities Group Maine's compliance with three reliability standards identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard. Of the three standards audited, all three were deemed to be not applicable.

Based on this audit, it is recommended that Constellation Energy Commodities Group Maine review its business model relative to its NERC Purchasing-Selling Entity (PSE) registration and, if required, contact NPCC to determine if PSE registration for this function is appropriate.

Constellation Energy Commodities Group Maine provided a subject matter expert for the standards resulting in a more clear understanding of the Constellation Energy Commodities Group Maine business model and accelerated the audit process. The evidence provided to demonstrate compliance or non-applicability required requests for additional information and evidence. The Constellation Energy Commodities Group Maine audit team responded to requests for further information in an expeditious manner. All additional information requested was provided promptly and comprehensively. The audit team would like to thank the Constellation Energy Commodities Group Maine team for the support offered throughout the audit.

Audit Process

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 Constellation Energy Commodities Group Maine's compliance with the requirements of the reliability standards that are applicable to them based on their registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

The audit was completed using data submitted by Constellation Energy Commodities Group Maine and information via email data exchanges. The audit team evaluated Constellation Energy Commodities Group Maine's compliance with three reliability standards identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard.

Of the three standards audited, all were deemed to be not applicable to Constellation Energy Commodities Group Maine based on the data submitted in response to the audit request and further data provided as a result of follow up questions.

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.² The audit objectives are:

- Independently review Constellation Energy Commodities Group Maine's compliance with the requirements of the reliability standards that are applicable to them based on their registered functions.

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

² North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- 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.
- Document the Constellation Energy Commodities Group Maine's compliance culture.

Scope

The audit included all standards identified in the September 16, 2008 audit letter for the previous year. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staffs were provided to the audited entity in advance of the audit. 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.

Off-site Audit

Constellation Energy Commodities Group Maine was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Constellation Energy Commodities Group Maine more than 60 days in advance of the scheduled audit. This is an off site audit conducted every six years or as determined to be necessary by the region. Constellation Energy Commodities Group Maine had not self reported any violations.

The audit team leader requested that Constellation Energy Commodities Group Maine employees representing subject matter expertise regarding the registered function of Constellation Energy Commodities Group Maine be made available for interviews should the need arise. These interviews, in conjunction with evidence submitted, would then provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.39 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. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. 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

The audit team prepared reliability standards auditor worksheets (RSAWs) to evaluate each standard. The RSAW's are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form portion of the audit trail are included in the RSAW's.

Audit Overview

The audit overview was conducted at 11:00 AM November 24, 2008 via telephone call. The call was between the NPCC auditor and the Director, Asset Operations of Constellation Energy Commodities Group Maine. The auditor reviewed his career and noted that he had signed a confidentiality agreement. A brief explanation of the audit process was given and the timelines were discussed. Constellation Energy Commodities Group Maine was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest or they thought that the auditor would not be impartial. Constellation Energy Commodities Group Maine accepted the auditor.

Audit

The audit was performed off site. The auditor reviewed the information submitted by Constellation Energy Commodities Group Maine and then developed a list of questions and requests for further information; the list was then sent to Constellation Energy Commodities Group Maine for their review. Constellation Energy Commodities Group Maine then took the time necessary to gather the necessary information and submitted them by email to the auditor.

Exit Briefing

The exit briefing was conducted via conference call at 10:00 am on Wednesday, December 17, 2008. The teleconference was between the NPCC auditor and Director-Asset Operations, and Director-Operations, of Constellation Energy Commodities Group Maine. The NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, all three standards for the PSE function were deemed non-applicable to Constellation Energy Commodities Group Maine.

Based on the audit finding of non-applicability for all three standards for a PSE, it was recommended during the exit briefing that Constellation Energy Commodities Group Maine review its business model relative to its NERC Purchasing-Selling Entity (PSE) registration and, if required, contact NPCC to determine if registration as a PSE for this business model function is appropriate.

Constellation Energy Commodities Group Maine was presented an opportunity to question the audit findings and provide comment on the audit. Constellation Energy Commodities Group Maine had no questions or comments on the audit.

Company Profile

Constellation Energy Commodities Group Maine, LLC (“CCG-Maine”) is a Delaware limited liability company with a principal place of business at 100 Constellation Way, Suite 500C, Baltimore, Maryland 21202. CCG-Maine was organized on September 18, 2001 as an affiliate company to Constellation Energy Commodities Group, Inc. (“CCG”) and maintains a Competitive Electricity Provider license from the Maine Public Utility Commission (“MPUC”).

CCG-Maine participates in standard offer provider (“SOP”) auctions conducted by the MPUC whereby consumers that have not arranged for electric service from a competitive electricity supplier can automatically have their electricity supplied at the rate determined by the auction process. Auction winners (i.e., the lowest bidders) inherit a financial obligation to provide energy, capacity and ancillary services to transmission and distribution utilities (“T&D Utility”) for a specified period of time. If CCG-Maine is an auction winner, it enters into a contract to sell electric services to a T&D Utility at the auction price and at a specified delivery point within the ISO New England (“ISO-NE”)

market system. In addition to participating in SOP auctions, CCG-Maine may enter into agreements directly with retail customers in Maine. Like SOP auctions, these agreements create financial obligations for CCG-Maine to provide energy services. The physical delivery of electricity to end-use customers remains the responsibility of the T&D Utility.

CCG-Maine has an agreement in place with CCG, its affiliate and wholesale electricity provider, whereby CCG agrees to provide all products and services necessary for CCG-Maine to satisfy CCG-Maine's obligations in the state of Maine.

Audit Specifics

The compliance audit was conducted from November 24 to December 17, 2008 at the offices of the NPCC Audit Staff.

Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

Constellation Energy Commodities Group Maine

Title	Organization
Director, Asset Operations	Constellation Energy Commodities Group Maine, LLC

Audit Results

Constellation Energy Commodities Group Maine provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation. After reviewing all the data, all three standards for the PSE function were deemed non-applicable to Constellation Energy Commodities Group Maine.

Findings

Reliability Standard	Requirement	Finding
INT-004-1	R1	Not Applicable
INT-004-1	R2	Not Applicable
IRO-001-1	R8	Not Applicable
VAR-001-1	R5	Not Applicable

Compliance Culture

The audit team reviewed the Constellation Energy Commodities Group Maine compliance culture. The regional entity compliance staff may review additional aspects of the Constellation Energy Commodities Group Maine compliance culture. During all contacts, the Constellation Energy Commodities Group Maine representative was very professional and positive in his approach to compliance and understood the importance of the compliance and its role in maintaining reliability. All additional information requested was provided promptly and comprehensively.

It should be noted that, although Constellation Energy Commodities Group Maine does not perform the functions related to the three PSE NERC standards audited herein, during the audit they did provide detailed procedures for all three standards, which were developed and issued along with the other Constellation entities, to assure NERC compliance in the event that Constellation Energy Commodities Group Maine personnel were ever required to perform these functions.