



Compliance Audit Report Public Version

**Kincaid Generation Company
NCR00811**

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

Audit date

May 27-30, 2008

Report Date

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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.

ReliabilityFirst scheduled the Kincaid Generation, LLC (Kincaid) for an offsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to Kincaid for the functions that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the material provided by Kincaid in response to the initial ReliabilityFirst data request and additional material requested by the audit team during their review as necessary to develop its findings. The ReliabilityFirst audit team reviewed the material and developed the preliminary results on Kincaid's compliance to the standards.

Sixty-one requirements apply to Kincaid in the 24 NERC Standards which are applicable to the generation owner and generator operator functions that Kincaid is registered to perform. No additional regional standards apply to Kincaid. Of the 24 standards, 5 standards and associated requirements were determined to not apply to Kincaid since it does not own or operate as a blackstart unit, therefore is not required to have disturbance monitoring equipment and Kincaid has indicated that it does not have or own or is responsible for any special protection system at this generation facility.

Kincaid was prepared for the audit and presented its documentation in a complete and concise manner, clearly identifying the document, page, and paragraph that supported each standard requirement. Kincaid did not have any violations or mitigation plans open for review during this audit. Kincaid was found to be fully compliant with the forty-four requirements and the nineteen standards that apply to its operations for which it is registered in the ReliabilityFirst area.

Audit Process

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.¹ The audit objectives are:

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

- Review Kincaid's compliance with the requirements of the reliability standards that are applicable to Kincaid based on Kincaid'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.
- Document the Kincaid's compliance culture.
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by ReliabilityFirst.
- Validate compliance with applicable ReliabilityFirst reliability standards that apply to Kincaid.

Scope

Kincaid is subject to auditing 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. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self certifications, and mitigation plans as appropriate. This audit of Kincaid did not include any regional standards.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The audited entity has been informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. 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 has not submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

Off-site Audit

Kincaid is subject to an audit once every six years at the minimum as provided by the NERC Rules and Procedures. Kincaid has been provided 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 as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit 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 Kincaid in both electronic and hardcopy format.

Reliability*First* discussed with Kincaid the use of technical experts and allowed the use of technical experts by Kincaid as it deemed necessary to explain their compliance to the standards. Kincaid was notified to provide any technical experts or personnel it deemed necessary to provide an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to Kincaid in advance to allow the necessary time to prepare for the audit. Kincaid's cooperation and flexibility with the agenda was appreciated by the audit team.

This audit was conducted in the Reliability*First* offices using material provided by Kincaid. The audit team made several additional calls to request additional information and or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with Kincaid employees representing subject matter expertise regarding all registered functions of Kincaid. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The audit team reviewed the evidence supplied by the company for each requirement of all NERC standards that apply to the functions performed by the company to determine if the company complied with that requirement. The company would be found to be noncompliant with requirements where compliance cannot be confirmed.

The audit team reviewed the evidence provided by Kincaid. The team reviewed each requirement and discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and Reliability*First*. The audit team developed the closing presentation of audit findings and presented the audit findings to Kincaid and answered all their questions.

Audit Overview

An Opening Briefing was conducted as a conference call/WebEx 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 worked as group and reviewed each applicable requirement to determine if Kincaid met the requirement. The audit followed the agenda closely. The audit team requested additional information if it could not determine compliance or if clarification of the existing information was needed. Kincaid provided additional information or clarified existing information with review of its subject matter experts as needed.

The following standards apply to the GO and GOP functions and the compliance of Kincaid to the requirements of these standards were reviewed during this audit:

- BAL-005-0 Automatic Generation Control
- CIP-001-1 Sabotage Reporting
- COM-002-2 Communications and Coordination
- EOP-004-1 Disturbance Reporting
- EOP-009-0 Documentation of Blackstart Generating Unit Test Results
- FAC-002-0 Coordination of Plans for New Facilities
- FAC-008-1 Facility Ratings Methodology
- FAC-009-1 Establish and Communicate Facility Ratings
- IRO-001-1 Reliability Coordination – Responsibilities and Authorities
- IRO-004-1 Reliability Coordination - Operations Planning
- MOD-010-0 Steady-State Data for Transmission System Modeling and Simulation
- MOD-012-0 Regional Steady-State Data Requirements and Reporting Procedures
- PRC-001-1 System Protection Coordination
- PRC-004-1 Analysis and Mitigation of Transmission and Generation Protection System Misoperations
- PRC-005-1 Transmission and Generation Protection System Maintenance and Testing
- PRC-015-0 Special Protection System Data and Documentation
- PRC-016-0 Special Protection System Misoperations
- PRC-017-0 Special Protection System Maintenance and Testing
- PRC-018-1 Disturbance Monitoring Equipment Installation and Data Reporting
- TOP-001-1 Reliability Responsibilities and Authorities
- TOP-002-2 Normal Operations Planning
- TOP-003-0 Planned Outage Coordination
- TOP-006-1 Monitoring System Conditions
- VAR-002-1 Generator Operation for Maintaining Network Voltage Schedules

Exit Briefing

The audit team used a web based exit presentation and teleconference to present the findings to the Kincaid staff. The team lead explained the findings from the audit. The presentation was attended by the Kincaid staff that participated in the audit.

The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements. Kincaid was informed that they will receive an audit evaluation to complete and return to NERC.

The audit team used the exit presentation to help verify that the information presented is correct.

Company Profile

Kincaid performs the following NERC function in the Reliability*First* region and is registered with NERC/Reliability*First* for the following functions:

- Generation Owner (GO)
- Generation Operator (GOP)

The Kincaid Generating Station is located in Kincaid, Illinois. It consists of two coal generators, each with a nameplate rating of 733,000 KVA. The station is connected to the transmission system at 345 kV with Commonwealth Edison (ComEd) at the transformer disconnects in ComEd's switchyard, which is adjacent to the Kincaid Generating Station. The generator step-up transformer ratings is 700 MVA nameplate for Unit 1 and 677 MVA nameplate for Unit 2.

Kincaid is in the PJM Balancing Authority (BA) area and PJM is the reliability coordinator for Kincaid.

Both units are wholly owned by Kincaid Generation, LLC which is a subsidiary of Dominion Resources.

Audit Specifics

The compliance audit was conducted on May 27 - 30, 2008 at the Reliability*First* office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Manager, Compliance Program Implementation	Reliability <i>First</i> Corporation
Member	Consultant	Sander-Reber

Kincaid Audit Participants

Title	Kincaid Organization
NERC Compliance Manager	Dominion Generation
Manager F&H O/M	Kincaid Generation, LLC
Electric Market Policy Manager	Kincaid Generation, LLC
Supervisor F&H O/M	Kincaid Generation, LLC
Ethics & Compliance Specialist	Dominion Generation

Audit Results

Kincaid did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, Kincaid is found to be compliant with all applicable standards reviewed.

Senior management attended the opening and exit briefing presentations. Kincaid was prepared for the audit and presented its documentation in a complete and concise manner.

Findings

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. The table includes details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

Kincaid Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	Complaint
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
FAC-002-0	R1.	Compliant

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Reliability Standard	Requirement	Finding
FAC-002-0	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-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-015-0	R1.	N/A
PRC-015-0	R2.	N/A
PRC-015-0	R3.	N/A
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
PRC-018-1	R1.	N/A
PRC-018-1	R2.	N/A
PRC-018-1	R3.	N/A
PRC-018-1	R4.	N/A
PRC-018-1	R5.	N/A
PRC-018-1	R6.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Complaint
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant

Reliability Standard	Requirement	Finding
TOP-002-2	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Complaint
TOP-006-1	R1.	Compliant
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

Compliance Culture

Kincaid provided documentation to demonstrate its compliance to the requirements of the applicable standards. Kincaid information provided clearly linked the page and paragraph in the documentation to the applicable standard requirement. The documentation was complete and in order such that the audit team could reasonably determine Kincaid compliance to the applicable requirements. Kincaid provided additional evidence and clarifications in a timely manner when requested by the audit team. Kincaid completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets.

Along with its affiliates, Kincaid is a part of the corporate-wide NERC compliance program at Dominion Resources. The corporate program is comprised of the business units who are registered entities and are responsible for NERC compliance, with the services company providing support. The Merchant Fossil & Hydro is the NERC Compliance Officer with direct responsibility for Kincaid. Within the business unit, The Merchant Fossil & Hydro is the NERC Compliance Officer appointed the NERC Compliance Manager, as the person charged with day-to-day support. At the station the Manager, Fossil & Hydro Operations and Maintenance oversees the NERC compliance effort to include day-to-day operations, documentation retention, and training.

As part of a larger corporate family, Kincaid is able to use the resources of Dominion's Electric Market Policy group, who is involved in following NERC standard development activities to ensure that the company is aware and involved from the beginning of the process. This group also keeps track of other activities within the regions and holds monthly meetings to provide a forum for all Dominion Resources Registered Entities to discuss relevant issues.

From the audit team review, it concludes that Kincaid has fully embraced the necessary compliance culture.