



Compliance Audit Report Public Version

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

**FPL Energy
February 11-13, 2008**

February 28, 2008

TABLE OF CONTENTS

Executive Summary	3
Audit Process	4
<i>Objectives</i>	4
<i>Scope</i>	4
<i>Confidentiality and Conflict of Interest</i>	5
<i>On-site Audit</i>	5
<i>Methodology</i>	5
<i>Audit Overview</i>	6
<i>Audit</i>	6
<i>Exit Briefing</i>	6
<i>Company Profile</i>	7
<i>Audit Specifics</i>	7
Audit Results	8
<i>Compliance Culture</i>	14

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.

FPL Energy was audited on February 11-13, 2008 for compliance with the requirements contained in the current mandatory and enforceable Reliability Standards in the 2008 NERC Compliance Monitoring and Enforcement Program (CMEP) that are applicable to FPL Energy's registered functions. FPL Energy is registered with SERC Reliability Corporation (SERC) as a Generator Operator (GOP) and Generator Owner (GO) for the Calhoun Energy Center (Calhoun), Cherokee Energy Center (Cherokee) and Doswell Energy Center (Doswell) facilities. Sixteen standards that apply to FPL Energy were selected and identified to FPL Energy as subject to review during this audit. The audit focused on documents and other evidence provided to SERC Reliability Corp. (SERC) by the staff of FPL Energy, and did not include any evidence obtained through system observation or inspection. The findings of the audit are based on the state of compliance and current mitigation activity at the time of the audit, and do not reflect past compliance activities or activities that will be completed in the future.

FPL Energy staff was requested to provide valid evidence of meeting each applicable requirement and sub-requirement of each standard that had been previously identified by SERC to FPL Energy as subject to this audit. FPL Energy staff responded by providing evidence in the form of reports, procedures, studies, and other documents. FPL Energy staff then cited specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented and evaluated by the audit team to assess the level of compliance with the requirement. If all of the requirements and sub-requirements of an audited standard were met, then FPL Energy was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then FPL Energy was judged to have a possible violation of the standard. A score of 100% is required for compliance.

The audit team determined that FPL Energy does not own or operate Under Voltage Load Shedding or Special Protection Systems and is not part of the Regional Blackstart Plan and therefore, three of the sixteen standards applicable to FPL Energy were not assessed. These standards are EOP-009-1, PRC-016-0 and PRC -017-0.

FPL Energy just recently had reported to SERC that they had completed mitigation plans regarding NERC Reliability Standard PRC-005-1 and CIP -001-1. The audit team reviewed the evidence provided by FPL Energy; however, the audit team found after review that completion of the mitigation plans was incomplete.

FPL Energy was found to be in compliance with all but two of the standards that were audited. The audit team identified five possible violations of NERC Reliability Standards listed below:

- CIP-001-1, "Sabotage Reporting" requirements one (R1), two (R2) and four (R4)
- PRC-005-1 "Transmission and Generation Protection System Maintenance and Testing" requirements one (R1) and two (R2).

Regarding CIP-001-1 requirements one (R1) and requirement two (R2), FPL Energy did not have in their procedure the communication of information concerning sabotage events to appropriate parties in the interconnection.

Regarding CIP-001-1 requirement four (R4), FPL Energy did not show evidence that they established communication contacts with the local FBI.

Regarding PRC-005-1 requirement one (R1), FPL Energy presented evidence that was deficient for the three facilities audited, Calhoun, Cherokee and Doswell. The cited procedure did not list the necessary components of the protection system.

Regarding PRC-005-1 requirement two (R2), FPL Energy presented evidence that was deficient for Calhoun because it lacked testing documentation for certain components, including batteries. FPL Energy presented evidence that was deficient for Cherokee because it lacked testing documentation for certain components, including batteries, DC control circuits and voltage and sensing devices. FPL Energy presented evidence that was deficient for Doswell because it lacked testing documentation for certain components, including batteries and DC control circuits.

This audit report includes information about how far FPL Energy missed the requirements for the possible compliance violations. This information will be used to help determine the severity level of sanctions and penalties. The possible compliance violations will be processed through the SERC's Compliance Monitoring and Enforcement Program (CMEP). Any further actions related to possible compliance violations will be through that process.

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:

- Independently review FPL Energy compliance with the requirements of the reliability standards that are applicable to FPL Energy based on the FPL Energy 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 FPL Energy compliance culture.

Scope

The scope of the audit of FPL Energy included all monitored standards that are in the NERC 2008 CMEP. Based on the confirmed registration of FPL Energy, the 16 reliability standards previously identified were the focus of the compliance audit. Of these 16 standards 3 standards; EOP-009-0, PRC-016-0 and PRC-017-0 were not assessed. This is detailed further in the Audit Results section.

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

For the 2008 compliance program, the monitored period for a compliance audit will be the previous 12 months or as specified by individual reliability standards. The monitored period is not limited to the time period for which penalties and sanctions are assessed.

Confidentiality and Conflict of Interest

Code of conduct documentation for the NERC representative and regional entity staff were provided to FPL Energy in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to FPL Energy upon request. SERC has confirmed that confidentiality agreements have been executed by, and are on file for SERC Industry Volunteers. FPL Energy 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. FPL Energy accepted the audit team member participants with no objections.

On-site Audit

FPL Energy was contacted by letter on October 16, 2007 by SERC staff. The letter provided FPL Energy with their initial notification of their upcoming audit in 2008, and the desire to schedule audit dates that would be acceptable to both parties. SERC staff then provided formal acknowledgement of the scheduled audit dates and requested that FPL Energy both verify their currently registered functions and complete and return an attached Pre-Audit Survey within 30 days.

On December 3, 2007, SERC staff forwarded an Audit Detail Letter to FPL Energy confirming the scheduled audit dates and FPL Energy's registered functions within SERC. The Audit Detail Letter also provided FPL Energy with notice of the Standards in the Audit Scope, Proposed Audit Schedule, Audit Team Roster, and requested that FPL Energy subject matter experts (SMEs) responsible for and knowledgeable of compliance submittals be available for interview during the audit. In addition to the Audit Detail Letter, FPL Energy was provided with a Non-Disclosure Agreement Signature Verification for audit team members, a Pre-Audit Questionnaire, a list of Documents to be provided or Have Available, and Reliability Standard Auditor Worksheets (RSAWs) for each standard to be audited.

Interviews with SMEs were requested, in conjunction with documented evidence, to provide the audit team with additional information or clarification as a basis for professional judgment when validating compliance with reliability standards.

Methodology

A SERC team of auditors conducted the audit of FPL Energy. The standards were grouped and scheduled for review to make the most efficient use of FPL Energy staff's time. The audit team moderator (ATL) initiated dialogue on each standard requirement and requested compliance evidence. This evidence and FPL Energy staff response was documented. FPL Energy staff was requested to show valid evidence of meeting each applicable requirement and sub-requirement contained in the 16 standards that had been previously identified by SERC to FPL Energy as subject to this audit. FPL Energy staff responded by providing evidence in the form of reports, procedures, studies, and other documents. FPL Energy staff would then cite specific portions of the evidence that demonstrated compliance.

This evidence and the citations were documented by the scribe on the RSAWs and evaluated by the audit team for the level of compliance and agreement with the requirement. Discrepancies between the requirement and the evidence provided were the subject of dialogue

among the team members and FPL Energy staff members until it was determined that each requirement was met by the cited evidence or other evidence offered.

Once all the evidence was presented and discussed, if FPL Energy did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and FPL Energy staff was informed.

Audit Overview

The audit team arrived at the FPL Energy offices at 3:30 p.m., February 11, 2008. Each member of the audit team was introduced and professional affiliation identified. A brief presentation covering the background of FPL Energy and its compliance activities took place. The staff of FPL Energy was introduced and general housekeeping matters explained. The staff of FPL Energy was excused and the audit team reviewed team assignments and a general overview for preparation of the audit activities starting on the next day.

The audit team arrived at the FPL Energy offices at 8:00 a.m., February 12, 2008. At 8:30 a.m., February 12, 2008, Steve Gibe, SERC Senior Compliance Auditor and Audit Team Lead (ATL) began the session with an opening presentation. He reviewed the NERC compliance plan for 2008 in general, and how it applied to FPL Energy specifically. The ATL introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of FPL Energy staff and the quality of evidence to be presented. The ATL also covered the basic procedure for the audit, and the bounding rules of conduct.

Audit

The audit team initially reviewed the registration status of FPL Energy with entity staff to verify applicability of each standard. Each standard's audit began with a recitation of each requirement. FPL Energy staff then presented evidence supporting requirement compliance or cited evidence previously provided to the audit team. At that point, the evidence was reviewed and discussed until consensus on the evidence was reached by the team. A determination of compliance was reached for each of the requirements, and communicated to FPL Energy staff before proceeding to the next requirement. At that point the team scribe would record the evidence presented to satisfy the requirement and the team's recommendation on that requirement using the RSAW.

The review of all applicable standards was completed at 11:15 a.m., February 13, 2008 and the audit team met to review and discuss the findings. Following these discussions, the scribe collected all notes and evidence as needed and began to finalize the RSAW's.

Exit Briefing

The ATL conducted an exit briefing to the assembled audit team and entity staff at 12:00 p.m., February 13, 2008. This was followed by an informal response and questions from the FPL Energy staff. The exit briefing summarized the team preliminary conclusions, including any items of potential noncompliance or possible violation with supporting information, areas of concern, any added information required and the expected timeline for review and issuance of the audit report.

The ATL solicited both informal comments from FPL Energy staff, and requested feedback on the audit process to NERC and SERC utilizing the formal feedback forms. The audit team left the FPL Energy meeting room at 1:00 p.m., February 13, 2008.

Company Profile

FPL Energy is an energy provider with natural gas, wind, solar, hydroelectric and nuclear power plants in operation across the nation. FPL Energy is a subsidiary of FPL Group, Inc., which is headquartered in Juno Beach, Florida. FPL Energy's portfolio of facilities totals more than 13,300 net megawatts of generating capacity. FPL Energy has a presence in more than 20 states.

In the SERC Region, FPL Energy has an operating portfolio of 1645 gross megawatts. The facilities making up this portfolio are; Calhoun Energy Center located in Eastaboga, Alabama near Anniston which is a 668-megawatt simple cycle power plant. The Doswell Energy Center located in Hanover County, Virginia, north of Richmond. The plant is a 708-megawatt dual-fired, combined-cycle plant and a 171-megawatt dual-fired simple-cycle plant. These plants use natural gas as its primary fuel and can use low-sulfur oil as a backup. The Cherokee Energy Center located in Gaffney, South Carolina is a 98-megawatt combined-cycle, natural gas-fired co-generation plant

Audit Specifics

The compliance audit was conducted on February 12-13, 2008 at the FPL Energy corporate office located at 700 Universe Boulevard, Juno Beach, Florida.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Auditor	SERC
Member	Director of Compliance	SERC
Member	Senior Compliance Auditor	SERC
Member	Compliance Auditor	SERC
Member	Regional Compliance Program Coordinator	NERC
Member	Regional Compliance Program Coordinator	NERC

FPL Energy Audit Participants Title and Organization

Title	FPL Energy Organization
Director of Reliability and Compliance	FPL Energy
Compliance Manager	FPL Energy
Production Manager	FPL Energy (Calhoun)
Manager T-H Power Delivery	FPL Energy

AUDIT RESULTS

The audit team found FPL Energy to be in compliance with all of the NERC Reliability Standards in the audit scope, with the exception of a possible violation of NERC Reliability Standard CIP-001-1 Sabotage Reporting requirements one (1), two (2) and four (4) and NERC Reliability Standard PRC-005-1 Transmission and Generation Protective System Maintenance and Testing, requirements one (1) and two (2) – Please see Findings Table below:

Findings

Findings Table

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	NA
BAL-001-0	R2.	NA
BAL-001-0	R3.	NA
BAL-001-0	R4.	NA
BAL-002-0	R1.	NA
BAL-002-0	R2.	NA
BAL-002-0	R3.	NA
BAL-002-0	R4.	NA
BAL-002-0	R5.	NA
BAL-002-0	R6.	NA
BAL-003-0	R1.	NA
BAL-003-0	R2.	NA
BAL-003-0	R3.	NA
BAL-003-0	R4.	NA
BAL-003-0	R5.	NA
BAL-003-0	R6.	NA
BAL-004-0	R1.	NA
BAL-004-0	R2.	NA
BAL-004-0	R3.	NA
BAL-004-0	R4.	NA
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	NA
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	NA
BAL-005-0	R7.	NA
BAL-005-0	R8.	NA
BAL-005-0	R9.	NA
BAL-005-0	R10.	NA
BAL-005-0	R11.	NA

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

Reliability Standard	Requirement	Finding
BAL-005-0	R12.	NA
BAL-005-0	R13.	NA
BAL-005-0	R14.	NA
BAL-005-0	R15.	NA
BAL-005-0	R16.	NA
BAL-005-0	R17.	NA
BAL-006-1	R1.	NA
BAL-006-1	R2.	NA
BAL-006-1	R3.	NA
BAL-006-1	R4.	NA
BAL-006-1	R5.	NA
CIP-001-1	R1.	Possible Violation
CIP-001-1	R2.	Possible Violation
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Possible Violation
CIP-002-1 through CIP-009-1		Not Assessed
COM-001-1	R2.	NA
COM-001-1	R5.	NA
COM-002-2	R1.	Compliant
COM-002-2	R2.	NA
EOP-001-0	R1.	NA
EOP-001-0	R2.	NA
EOP-001-0	R3.	NA
EOP-001-0	R4.	NA
EOP-001-0	R5.	NA
EOP-001-0	R6.	NA
EOP-001-0	R7.	NA
EOP-002-2	R1.	NA
EOP-002-2	R2.	NA
EOP-002-2	R3.	NA
EOP-002-2	R4.	NA
EOP-002-2	R5.	NA
EOP-002-2	R6.	NA
EOP-002-2	R7.	NA
EOP-002-2	R8.	NA
EOP-002-2	R9.	NA
EOP-003-1	R1.	NA
EOP-003-1	R2.	NA
EOP-003-1	R3.	NA
EOP-003-1	R4.	NA
EOP-003-1	R5.	NA

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

Reliability Standard	Requirement	Finding
EOP-003-1	R6.	NA
EOP-003-1	R7.	NA
EOP-003-1	R8.	NA
EOP-004-1	R1.	NA
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	NA
EOP-004-1	R5.	NA
EOP-005-1	R1.	NA
EOP-005-1	R2.	NA
EOP-005-1	R3.	NA
EOP-005-1	R4.	NA
EOP-005-1	R5.	NA
EOP-005-1	R6.	NA
EOP-005-1	R7.	NA
EOP-005-1	R8.	NA
EOP-005-1	R9.	NA
EOP-005-1	R10.	NA
EOP-005-1	R11.	NA
EOP-006-1	R1.	NA
EOP-006-1	R2.	NA
EOP-006-1	R3.	NA
EOP-006-1	R4.	NA
EOP-006-1	R5.	NA
EOP-006-1	R6.	NA
EOP-008-0	R1.	NA
EOP-009-0	R1.	Not Assessed
EOP-009-0	R2.	Not Assessed
FAC-003-1	R1.	NA
FAC-003-1	R2.	NA
FAC-003-1	R3.	NA
FAC-003-1	R4.	NA
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Not Assessed
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-013-1	R1.	NA
FAC-013-1	R2.	NA
INT-001-2	R1.	NA
INT-001-2	R2.	NA
INT-003-2	R1.	NA

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

Reliability Standard	Requirement	Finding
INT-004-1	R1.	NA
INT-004-1	R2.	NA
IRO-001-1	R1.	NA
IRO-001-1	R2.	NA
IRO-001-1	R3.	NA
IRO-001-1	R4.	NA
IRO-001-1	R5.	NA
IRO-001-1	R6.	NA
IRO-001-1	R7.	NA
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	NA
IRO-003-2	R1.	NA
IRO-003-2	R2.	NA
IRO-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA
IRO-004-1	R7.	NA
IRO-005-1	R1.	NA
IRO-005-1	R2.	NA
IRO-005-1	R3.	NA
IRO-005-1	R4.	NA
IRO-005-1	R5.	NA
IRO-005-1	R6.	NA
IRO-005-1	R7.	NA
IRO-005-1	R8.	NA
IRO-005-1	R9.	NA
IRO-005-1	R10.	NA
IRO-005-1	R11.	NA
IRO-005-1	R12.	NA
IRO-005-1	R13.	NA
IRO-005-1	R14.	NA
IRO-005-1	R15.	NA
IRO-005-1	R16.	NA
IRO-005-1	R17.	NA
IRO-006-3	R1.	NA
IRO-006-3	R2.	NA
IRO-006-3	R3.	NA
IRO-006-3	R4.	NA
IRO-006-3	R5.	NA

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

Reliability Standard	Requirement	Finding
IRO-006-3	R6.	NA
IRO-014-1	R1.	NA
IRO-014-1	R2.	NA
IRO-014-1	R3.	NA
IRO-014-1	R4.	NA
IRO-015-1	R1.	NA
IRO-015-1	R2.	NA
IRO-015-1	R3.	NA
IRO-016-1	R1.	NA
IRO-016-1	R2.	NA
PER-002-0	R1.	NA
PER-002-0	R2.	NA
PER-002-0	R3.	NA
PER-002-0	R4.	NA
PER-003-0	R1.	NA
PER-004-1	R1.	NA
PER-004-1	R2.	NA
PER-004-1	R3.	NA
PER-004-1	R4.	NA
PER-004-1	R5.	NA
PRC-004-1	R1.	NA
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Possible Violation
PRC-005-1	R2.	Possible Violation
PRC-008-0	R1.	NA
PRC-008-0	R2.	NA
PRC-010-0	R1.	NA
PRC-010-0	R2.	NA
PRC-011-0	R1.	NA
PRC-011-0	R2.	NA
PRC-016-0	R1.	Not Assessed
PRC-016-0	R2.	Not Assessed
PRC-016-0	R3.	Not Assessed
PRC-017-0	R1.	Not Assessed
PRC-017-0	R2.	Not Assessed
PRC-021-1	R1.	NA
PRC-021-1	R2.	NA
TOP-002-2	R1.	NA
TOP-002-2	R2.	NA
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	NA

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

Reliability Standard	Requirement	Finding
TOP-002-2	R5.	NA
TOP-002-2	R6.	NA
TOP-002-2	R7.	NA
TOP-002-2	R8.	NA
TOP-002-2	R9.	NA
TOP-002-2	R10.	NA
TOP-002-2	R11.	NA
TOP-002-2	R12.	NA
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	NA
TOP-002-2	R17.	NA
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	NA
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	Compliant
TOP-004-1	R6.	NA
TOP-005-1	R1.	NA
TOP-005-1	R2.	NA
TOP-005-1	R3.	NA
TOP-005-1	R4.	NA
TOP-007-0	R1.	NA
TOP-007-0	R2.	NA
TOP-007-0	R3.	NA
TOP-007-0	R4.	NA
TPL-001-0	R1.	NA
TPL-001-0	R2.	NA
TPL-001-0	R3.	NA
TPL-002-0	R1.	NA
TPL-002-0	R2.	NA
TPL-002-0	R3.	NA
TPL-003-0	R1.	NA
TPL-003-0	R2.	NA
TPL-003-0	R3.	NA
TPL-004-0	R1.	NA
TPL-004-0	R2.	NA
VAR-001-1	R1.	NA
VAR-001-1	R2.	NA
VAR-001-1	R3.	NA

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

Reliability Standard	Requirement	Finding
VAR-001-1	R4.	NA
VAR-001-1	R5.	NA
VAR-001-1	R6.	NA
VAR-001-1	R7.	NA
VAR-001-1	R8.	NA
VAR-001-1	R9.	NA
VAR-001-1	R10.	NA
VAR-001-1	R11.	NA
VAR-001-1	R12.	NA
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

Information regarding the compliance culture of FPL Energy was obtained from other sources and has been documented.

Determination Summary for Possible Violations Identified in an Audit

Regional Tracking Number 08-007
Entity NextEra Energy Resources, LLC (Formerly FPL Energy)
Audit Date 2/13/2008
Standard PRC-005-1
Requirement R1, R2

Sufficient Basis for Violation

Factual Basis On or about June 1, 2007, Entity self-reported a violation of PRC-005-1 R2 in the pre-June 18 compliance environment and submitted a mitigation plan indicating it would complete the plan by 12/31/07. This issue was tracked as SERC No. 07-030. SERC issued a Notice of Alleged Violation on 8/27/07. On 9/21/07 SERC received a certification of mitigation plan completion, but no evidence to support completion. On multiple occasions, SERC requested evidence from entity to support completion of the mitigation plan. In each case, including review during a scheduled audit on 2/11/08-2/13/08 and a follow-up site visit by SERC compliance enforcement staff on 4/3/08, evidence was inadequate for SERC to conclude that the mitigation plan had been completed satisfactorily and compliance with PRC-005-1 had been restored.

At a scheduled compliance audit on 2/11/08 - 2/13/08, Entity was unable to provide evidence to indicate that it was in compliance with R2. In addition, insufficient evidence was provided at the audit to demonstrate compliance with PRC-005-1 R1. Tracking issue 08-007 was generated as an outcome of the identification of possible violations of R1 and R2 at the scheduled on-site audit and due to Entity's failure to timely complete its mitigation plan associated with its self-reported violation of PRC-005-1 R2.

Conclusion Violation Summary A scheduled compliance audit of the entity on 2/11/08 - 2/13/08 and a follow-up site visit by SERC Compliance Enforcement Staff on 4/3/08 determined that the entity was, and continues to be, in violation of PRC-005-1 in that its maintenance and testing procedures do not include a description of the program, nor do the procedures include testing intervals and their bases, for all components of generation Protection Systems required by the Standard. This is a violation of R1. In addition, the entity was unable to produce evidence that all components of generation Protection Systems, as defined by the standard and glossary of terms, had been tested within a defined interval. This is a violation of R2.

This violation incorporates and supersedes Entity's June 2007 self-reported violation of PRC-005-1 R2 (prior SERC Tracking No 07-030) because Entity failed to remedy the violation in accordance with the mitigation plan that was accepted by SERC and approved by NERC. The mitigation plan was certified as complete by the entity on 9/24/07. However, the Entity did not submit any accompanying evidence (data or information), as required, to allow SERC to verify completion. Sufficient evidence to verify completion and compliance with the subject Reliability Standard has not been presented to SERC, despite repeated requests by SERC for such supporting evidence. The Entity failed to fully demonstrate completion of all required mitigation plan actions and compliance with the subject Reliability Standard and is therefore subject to the imposition of associated penalties.

A Severe VSL is assigned because of the Entity's failure to complete its previous mitigation plan in accordance with its terms and due to Entity's repeated failure to provide evidence supporting mitigation plan closure upon request by SERC.

Determination Summary for Possible Violations Identified in an Audit

These possible violations are similar to, and determinations are consistent with, similar issues SERC has investigated in the past.

The Entity performs similar functions in other regions totaling of 16,000 MW of gas/oil, hydro, and renewable generation capability. SERC will contact the other regions to determine whether similar violations exist in the other regions.

NERC BOTCC Determination

"Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order,13 the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on October 27, 2008. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty of \$250,000 against FPL Energy, LLC, in addition to other actions to promote prospective compliance required under the terms and conditions of the Settlement Agreement."

NERC Violation Number

SERC200810005,
SERC200810006

NOC Number

NOC-114

NOP Number

NOP-114

FERC Docket Number

NP09-17-000

Determination Summary for Possible Violations Identified in an Audit

Regional Tracking Number 08-008
Entity NextEra Energy Resources, LLC (Formerly FPL Energy)
Audit Date 2/13/2008
Standard CIP-001-1
Requirement R1, R2

Sufficient Basis for Violation

Factual Basis On or about June 1, 2007, Entity self-reported a violation of CIP-001-1, Requirements 1 through 4, in the pre-June 18 compliance environment and submitted a mitigation plan indicating it would complete the plan by 12/31/07. This issue was tracked as SERC No. 07-045. SERC issued a Notice of Alleged Violation on 8/27/07. On 9/24/07 SERC received a certification of mitigation plan completion, but no evidence to support completion. On multiple occasions, SERC requested evidence from entity to support completion of the mitigation plan. In each case, including review during a scheduled audit on 2/11/08-2/13/08 and a follow-up site visit by SERC compliance enforcement staff on 4/3/08, evidence was inadequate for SERC to conclude that the mitigation plan had been completed satisfactorily and compliance with CIP-001-1 had been restored.

At a scheduled compliance audit on 2/11/08 - 2/13/08, Entity was unable to provide evidence to indicate that it was in compliance with R1, R2 and R4. Tracking issue 08-008 was generated as an outcome of the identification of continuing possible violations of R1, R2 and R4 at the scheduled on-site audit and due to Entity's failure to timely complete its mitigation plan associated with its self-reported violations of CIP-001-1.

Conclusion Violation Summary A scheduled compliance audit of the entity on 2/11/08 - 2/13/08 and a follow-up site visit by SERC Compliance Enforcement Staff on 4/3/08 determined that the entity was, and continues to be, in violation of CIP-001-1. Entity's sabotage response program lacks procedures for identifying sabotage and for making its operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection. This is a violation of R1. Entity's sabotage response program lacks procedures for the communication of information concerning sabotage events to appropriate parties in the Interconnection. This is a violation of R2. Evidence related to R4 reviewed during and after the 4/3/08 follow-up site visit, and the submission by Entity of an affidavit affirming communications with the local FBI office, were deemed by SERC Compliance Enforcement Staff to constitute sufficient evidence of compliance with R4 as of the date of the affidavit.

This violation incorporates and supersedes Entity's June, 2007 self-reported violation of CIP-001-1 (prior SERC Tracking No 07-045) because Entity failed to remedy the violation in accordance with the mitigation plan that was accepted by SERC and approved by NERC. The mitigation plan was certified as complete by the entity on 9/24/07. However, the Entity did not submit any accompanying evidence (data or information), as required, to allow SERC to verify completion. Sufficient evidence to verify completion and compliance with the subject Reliability Standard has not been presented to SERC, despite repeated requests by SERC for such supporting evidence. The Entity failed to fully demonstrate completion of all required mitigation plan actions and compliance with the subject Reliability Standard and is therefore subject to the imposition of associated penalties.

A Severe VSL is assigned because of the Entity's failure to complete its previous mitigation plan in accordance with its terms and due to Entity's repeated failure to provide evidence supporting

Determination Summary for Possible Violations Identified in an Audit

mitigation plan closure upon request by SERC.

These possible violations are similar to, and determinations are consistent with, similar issues SERC has investigated on other Entities in the past.

The Entity performs similar functions in other regions totaling of 16,000 MW of gas/oil, hydro, and renewable generation capability. SERC will contact the other regions to determine whether similar violations exist in the other regions.

NERC BOTCC Determination

“Taking into consideration the Commission’s direction in Order No. 693, the NERC Sanction Guidelines and the Commission’s July 3, 2008 Guidance Order,13 the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on October 27, 2008. The NERC BOTCC approved the Settlement Agreement, including SERC’s imposition of a financial penalty of \$250,000 against FPL Energy, LLC, in addition to other actions to promote prospective compliance required under the terms and conditions of the Settlement Agreement.”

NERC Violation Number

SERC200810007,
SERC200810008,1
0009

NOC Number

NOC-114

NOP Number

NOP-114

FERC Docket Number

NP09-17-000

Determination Summary for Possible Violations Identified in an Audit

Regional Tracking Number 08-050

Entity NextEra Energy Resources, LLC (Formerly FPL Energy)

Audit Date 2/13/2008

Standard CIP-001-1

Requirement R4

Sufficient Basis for Violation

Factual Basis Entity submitted a pre-June 18, 2007 self-report of a violation of CIP-001-1 R1, R2, R3, and R4. The entity certified completion of an associated mitigation plan on September 24, 2007 but did not submit evidence of completion to SERC despite several requests to do so. During an audit in February of 2008 a possible violation of R1, R2, and R4 was identified and reported to NERC. Regarding R4, it was found that the Entity did have a list of FBI contact numbers in their procedure but did not have evidence that contact had actually been established.

The revised NERC compliance enforcement guidance on CIP-001 R4, contained in a revised Reliability Standard Audit Worksheet (RSAW) dated 6/3/08 states that two-way communication is not necessary to be fully compliant. Instead, the registered entity must produce evidence that it has correct and working contact information with the FBI.

Subsequent to the audit, the entity has provided an affidavit stating that it has confirmed the phone numbers are correct.

Enforcement actions related to CIP-001, R2 and R4 are detailed in separate tracking issues.

Conclusion Violation Summary Based on the revised NERC guidance, the fact that Entity had a procedure that contained contact information for the FBI, and Entity's affidavit confirming the working contact numbers, SERC Staff concludes that there is insufficient basis to allege a violation of CIP-001, R4.

NERC BOTCC Determination "Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008 Guidance Order,13 the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on October 27, 2008. The NERC BOTCC approved the Settlement Agreement, including SERC's imposition of a financial penalty of \$250,000 against FPL Energy, LLC, in addition to other actions to promote prospective compliance required under the terms and conditions of the Settlement Agreement."

NERC Violation Number SERC200810009

NOC Number NOC-114

NOP Number NOP-114

***Determination Summary for Possible
Violations Identified in an Audit***

***FERC Docket
Number***

NP09-17-000



March 28th, 2008

Robert Goss
Manager of Compliance Audits
SERC Reliability Corporation
2815 Coliseum Centre Drive
Suite 600
Charlotte, NC 28217

Dear Mr. Goss,

In response to the *FPL Energy Compliance Audit Report February 11th-13th 2008* dated February 28th, 2008 from SERC Reliability Corporation (SERC), the following letter contains our comments.

FPL Energy, LLC at this time contests the findings of possible violations for CIP-001 R1, R2, R4 and PRC-005 R1, R2. FPL Energy based on review of relevant standards and requirements presented documentation as evidence of compliance to NERC Reliability Standards. Possible Violations, in the opinion of FPL Energy, are based on varying interpretations of the requirements of the standards. At the time of the audit, FPL Energy presented documentation that met compliance with the standards in question. We reserve future comment on these matters as we are actively engaged in enforcement proceedings with SERC.

FPL Energy is evaluating all comments and recommendations from the SERC Audit team as valuable improvement points for possible inclusion in operations. A number of corrective actions have already been initiated.

Sincerely,

Benjamin Church
Director of Reliability & Compliance
FPL Energy, LLC
o. 561-304-5463
c. 561-758-1227
benjamin_church@fpl.com