

Guadalupe Power Partners, LP

NERC ID # NCR04078

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: August 28 and 29, 2008
Audit Location: Texas Regional Entity
Report Date: October 27, 2008
Prepared By: J. Frank Vick, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Off-Site compliance audit of Guadalupe Power Partners, LP (GPP) was conducted on August 28 and 29, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on GPP's registration as a Generator Owner (GO). The audit team consisted of three (3) representatives from Texas Regional Entity (Texas RE) and one (1) representative from the North American Electric Reliability Corporation (NERC). Based on the review of documentation provided by GPP and the interviews of GPP's personnel, GPP met all of the NERC Standard requirements with no violations.

2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at www.nerc.com. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

2.1 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 GPP's compliance with the requirements of the reliability standards that are applicable to GPP based on the GPP's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 CMEP 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 GPP's compliance culture.

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2008 and any others that may be identified by the audit team at the time of the audit applicable to Generator Owners (GO). The audit was performed by three (3) members of Texas RE and one (1) NERC representative.

For the 2008 CMEP, the monitoring period for the compliance audit will be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to GPP prior to the audit. Work history and conflict of interest forms submitted by each audit team member were provided to the GPP. GPP was given an opportunity to object to an audit

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

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. GPP accepted the audit team member participants with no objections.

2.3 Methodology

Once an audit date was set by Texas RE, GPP was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheet (RSAW) for the list of actively monitored NERC Standards. During the audit, Texas RE reviewed the responses to the RSAW and pre-audit questions with GPP's management and supervisors. The Texas RE audit team interviewed operations personnel and reviewed documents to substantiate those operations personnel were trained and capable of following the procedures to ensure reliable operations from that entity. The audit team also interviewed IT, Communications, and Planning personnel as necessary to get answers to questions and verify documentation.

The audit team conducted an exit briefing immediately following the audit with GPP. The audit team verbally shared its preliminary results with GPP's management.

2.4 Company Profile

Guadalupe Power Partners LLC ("GPP") operates a gas-fired combined cycle electric generation facility located in Marion, Guadalupe County, Texas (the "Guadalupe Project"). The Guadalupe Project has a nominal generating capacity of 1,000 MW.

GPP is a wholly-owned subsidiary of PSEG Texas, LP (formerly known as Texas Independent Energy, LP). PSEG Texas, LP ("PSEG Texas") has its offices at 13760 Noel Road, Suite 930, Dallas, Texas 75240.

PSEG Texas is a wholly-owned, indirect subsidiary of PSEG Global LLC ("Global"), which in turn is a wholly-owned, indirect subsidiary of Public Service Enterprise Group Incorporated ("PSEG"). In addition to the Guadalupe Project, Global owns several other domestic generation projects, including cogeneration and independent power production facilities.

PSEG is a public utility holding company engaged in, among other things, the generation of electric energy, and the transmission, distribution and sale of electricity and natural gas through its subsidiaries. PSEG's operations, through its subsidiaries, are located primarily in the Northeastern and Mid Atlantic United States (U.S.) and in other select markets including Texas. Its principal and executive offices are located at 80 Park Plaza, Newark, New Jersey, 07102.

2.5 Audit Specifics

Audit Date: August 28 and 29, 2008
Audit Location: Texas Regional Entity

Texas RE Audit Team:

Name	Company/Title
J. Frank Vick	Texas RE/Audit Team Leader
Jeff Whitmer	Texas RE/Auditor

Name	Company/Title
Bill Lewis	Texas RE/Auditor
Jule Tate	NERC/Auditor

GPP Audit Participants:

Name	Company/Title
Jodi Moskowitz	General Regulatory Counsel –Operations & Compliance, PSEG Services Corp
Isabel Goncalves-Rooney	Director Fossil Generation PSEG Fossil, LLC
Jeff Mueller	Manager - ERO/RE Policy & Standards Interface, PSE&G
Ken Brown	Industry Analysis Manager of Federal Regulatory Policy, PSE&G
Bruce Wertz	NERC Compliance Coordinator, Texas Independent Energy Operating Company & PSEG Texas
Ken Allen	Plant General Manager, Guadalupe Power Partners
Glen Anizan	Plant Manager of Operations, Guadalupe Power Partners
Stacey Davis	Plant Manager of Maintenance, Guadalupe Power Partners
Jimmy Johnson	Manager of Standards, Guadalupe Power Partners
Ben Meissner	Quality Control Engineer, Guadalupe Power Partners
David Harrill	Instrument & Electrical Tech.

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that GPP was compliant with all 2008 actively monitored NERC Standards at the time of the audit.

The following table is a summary of the auditor’s notes for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
CIP-002-1 thru CIP-009-1		Reviewed
EOP-009-0	R1.	N/A
EOP-009-0	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

Reliability Standard	Requirement	Finding
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-016-0	R1.	Compliant
PRC-016-0	R2.	Compliant
PRC-016-0	R3.	Compliant
PRC-017-0	R1.	Compliant
PRC-017-0	R2.	Compliant
VAR-002-1	R1.	N/A
VAR-002-1	R2.	N/A
VAR-002-1	R3.	N/A
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

3.2 Conclusion

GPP was found in compliance with the standards that were audited.

3.3. Compliance Culture

Based on the information provided in the Audit General Information Request and the audit results, GPP has a compliance program in place which promotes compliance within the company. GPP was cooperative with all of the audit team's initial and additional information requests.