

South Houston Green Power, LP

NERC ID # NCR04123

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 28-29, 2008
Audit Location: Austin, Texas
Report Date: October 27, 2008
Prepared By: S. A. "Tony" Shiekhi, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top compliance audit of South Houston Green Power, LP (SHGP) was conducted on August 28-29, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on South Houston Green Power, LP's registration as a Generator Owner (GO). The audit team consisted of four (4) representatives from Texas Regional Entity (Texas RE). Based on the review of documentation provided by South Houston Green Power, LP and the interviews of South Houston Green Power, LP's personnel, South Houston Green Power, LP met all of the NERC Standard requirements.

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 SHGP's compliance with the requirements of the reliability standards that are applicable to SHGP based on their registered function.
- 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 standards, and review the status of associated mitigation plans.
- Document South Houston Green Power, LP'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 Owner (GO). The audit was performed by four (4) members of Texas RE.

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 SHGP prior to the audit. Work history and conflict of interest forms submitted by each

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

audit team member were provided to SHGP. SHGP 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. SHGP accepted the audit team member participants with no objections.

2.3 Methodology

Once an audit date was set by Texas RE, SHGP 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 SHGP's management and supervisors. 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 SHGP. The audit team verbally shared its preliminary results with SHGP's management.

2.4 Company Profile

SHGP is jointly owned by BP Alternative Energy North America, Inc. and Duke Energy Generation Services, Inc. and is operated by CSGP Services, LP.

SHGP is located in Texas City, TX, approximately three miles northwest of Galveston Bay. The station is situated in the Texas City Industrial Complex on leased land from BP Texas City Oil Refinery. The station consists of three main areas:

- Green Power 2 (GP2)
- Power 4 (PWR4)
- Water Treatment Plant 1 (WTP1), located inside the refinery

SHGP operates the steam and power generation equipment to supply steam and electrical demands to the adjacent BP Texas City Refinery. The plant must contractually meet the host's (BP) electrical and steam demands. SHGP is required to supply up to 2.7 million lbs/hr of steam continuously to the refinery and chemical plant and has a 4.5 million lbs/hr maximum steam supply capability.

The SHGP electric contract is through BP Energy Company. SHGP's current electrical demand from BP is approximately 220 MW; SHGP usually exports approximately 275 MW to the local utility grid. SHGP has an installed capacity of 740 MW, but is considering the addition of 250 MW of generating capacity by late 2008 when the STG805 steam turbine is commissioned and integrated into the GP2 facility. Contractual arrangements regarding the addition of this turbine are currently in progress.

Physical Company Address:

South Houston Green Power, LP
2023 Fifth Avenue South
Texas City, TX 77590

2.5 Audit Specifics

Audit Date: August 28-29, 2008
Audit Location: Texas RE offices- Austin, Texas

Texas RE Audit Team:

Name	Company/Title
S.A. "Tony" Shiekhi	Texas RE/Audit Team Leader
Jeff Whitmer	Texas RE/Auditor
Rashida Caraway	Texas RE/Auditor
Judith James	Texas RE/Auditor

SHGP Audit Participants:

Name	Company/Title
Jason Allen	Duke Energy, Regional General Manager
Dave Ledonne	Duke Energy, Vice President of Operations
Al Volkmar	Duke Energy, Project Manager
John Hernandez	Duke Energy, Plant Manager
Sean Hausman	BP Alternative Energy, Asset Manger
Dave Hunt	Duke Energy, Planner/Buyer

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that SHGP 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 through CIP-009-1		Reviewed
EOP-009-0	R1.	NA
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
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
PRC-004-1	R1.	NA
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-016-0	R1.	NA
PRC-016-0	R2.	NA
PRC-016-0	R3.	NA
PRC-017-0	R1.	NA
PRC-017-0	R2.	NA
VAR-002-1	R1.	NA
VAR-002-1	R2.	NA
VAR-002-1	R3.	NA
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

3.2 Conclusion

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

3.3. Compliance Culture

The compliance culture was not reviewed by the audit team