

Tradinghouse Power Company LLC

NERC ID: NCR10220

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: July 23 & 24, 2008
Audit Location: Texas Regional Entity
Report Date: September 22, 2008
Prepared By: J. Frank Vick

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1.0 EXECUTIVE SUMMARY

The Off-Site compliance audit of Tradinghouse Power Company LLC (Tradinghouse Power) was conducted on July 23 & 24, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on Tradinghouse Power Company LLC's registration as a Generator Owner. The audit team consisted of four (4) 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 Tradinghouse Power Company LLC, Tradinghouse Power Company LLC met all of the North American Electric Reliability Corporation (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 Tradinghouse Power Company LLC's compliance with the requirements of the reliability standards that are applicable to Tradinghouse Power Company LLC based on the Tradinghouse Power Company LLC's registered functions
- Validate compliance with applicable reliability standards from the NERC 2008 CMEP Implementation Plan list of actively monitored standards
- Validate evidence of any self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of any associated mitigation plans
- Document Tradinghouse Power Company LLC'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. The audit was performed by four (4) members of Texas RE and one (1) representative from North American Electric Reliability Corporation (NERC).

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.

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

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Tradinghouse Power Company LLC prior to the audit. Work history and conflict of interest forms submitted by each audit team member were provided to the Tradinghouse Power Company LLC. Tradinghouse Power Company LLC 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. Tradinghouse Power Company LLC accepted the audit team member participants with no objections.

Methodology

Once an audit date was set by Texas RE, Tradinghouse Power Company LLC was sent a pre-audit questionnaire and the Reliability Standard Auditors Work Sheets (RSAWS) for the list of actively monitored NERC Standards. Texas RE reviewed the responses to the RSAWS, pre-audit questions and supporting documentation.

The audit team conducted an exit briefing conference call with Tradinghouse Power Company LLC. The audit team verbally shared its preliminary results with Tradinghouse Power Company LLC's management.

2.4 Company Profile

Tradinghouse Power Company LLC (TPC), a Texas company, owns the Tradinghouse Steam Electric Station consisting of two gas-fired generating units, Tradinghouse Unit 1 and Tradinghouse Unit 2. The units began service in 1970 and 1972, respectively. The Tradinghouse Plant provides approximately 1279 net megawatts (MW) of capacity to the ERCOT grid. The units are available year round, but are primarily utilized during the peak summer season.

TPC is a subsidiary of Luminant Holding Company LLC (LHC), a subsidiary of Energy Future Holdings Corp. Energy Future Holdings Corp. (EFH), formerly TXU Corp., is a Dallas-based, privately held energy company with a portfolio of competitive and regulated energy subsidiaries. TXU Energy, Luminant and Oncor, EFH's primary businesses, serve the high-growth Texas electricity market, which is one of the world's largest and among the nation's most successful competitive markets.

Luminant Power refers to the subsidiaries of LHC, including Tradinghouse Power Company LLC, engaged in electricity generation activities.

2.5 Audit Specifics

Audit Date: July 23 & 24, 2008
Audit Location: Texas Regional Entity

Texas RE Audit Team:

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

Name	Company/Title
S. A. "Tony" Shiekhi	Texas RE/Auditor
Jeff Whitmer	Texas RE/Auditor
Ken Kan	Texas RE/Auditor
Jule Tate	NERC/Observer

Tradinghouse Power Company LLC Conference Call Participants:

Name	Company/Title
Scott Diermann	Director of Gas Plant Operations
Terry Bagley	Tradinghouse Plant Manager
Mike Welch	Plant Superintendent - Tradinghouse
Jerry Haun	Plant Supervisor - Tradinghouse
Larry Gurley	VP - Wholesale Markets & Regulatory
Henry Durrwachter	Senior Project Manager - Regulatory
Mike Laney	Generation Planning Director
Rick Terrill	Generation Planning Lead
Don Todd	Generation Planning Specialist Senior

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that Tradinghouse Power Company LLC 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.	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.	NA
VAR-002-1	R2.	NA
VAR-002-1	R3.	NA
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

3.2 Conclusion

Tradinghouse Power Company LLC was found in compliance with the standards that were audited.

3.3. Compliance Culture

The compliance culture was not reviewed by the audit team.