

Tenaska Power Services

NERC ID # NRC04139

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: November 12 – 13, 2008
Audit Location: Tenaska Power Services, Arlington, TX
Report Date: January 6, 2009
Prepared By: Bill Lewis, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of Tenaska Power Services (TPS) was conducted on November 12 – 13, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on TPS' registration as a GOP through July 22, 2008 and TPS' joint registration (JRO) as a GOP with the DOW Chemical Company (DOW) thereafter. The audit team consisted of six representatives from Texas Regional Entity (Texas RE) and two representatives from North American Electric Reliability Corporation (NERC). Based on the review of documentation provided by TPS and the interviews of TPS' personnel, TPS 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 TPS' compliance with the requirements of the reliability standards that are applicable to TPS based on the TPS' 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 TPS' 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 Operator. The audit was performed by six members of Texas RE and two NERC representatives.

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

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

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

2.3 Methodology

Once an audit date was set by Texas RE, TPS was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards. During the audit, Texas RE reviewed the responses to the RSAWs and pre-audit questions with TPS' 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 TPS. The audit team verbally shared its preliminary results with TPS' management.

2.4 Company Profile

TPS Co. (TPS) is an experienced power marketer and asset manager. In 2007, TPS sold 15,615 gigawatt hours of electricity, and managed 17,562 megawatt (MW) of electric generating assets. TPS marketers are very active in the short-term and real-time power markets and also offer longer-term electric power options. TPS has approximately 90 full-time employees, with marketing and scheduling staff available 24 hours a day, 7 days a week. The marketers use their knowledge of system operations and transmission to move power in the physical markets, while using financial products to enhance opportunities and minimize risk.

2.5 Audit Specifics

Audit Date: November 12 – 13, 2008
Audit Location: Tenaska Power Services, Arlington, TX

Texas RE Audit Team:

Name	Company/Title
Bill Lewis	Texas RE/Audit Team Leader
Kent Grammer	Texas RE/Auditor
Frank Vick	Texas RE/Auditor
Mark Scovill	Texas RE/Auditor
Scott Jackson	Texas RE/Auditor
Victor Barry	Texas RE/Observer
Ralph Anderson	NERC/Auditor
Blane Taylor	NERC/Auditor

Tenaska Power Services' Audit Participants:

Name	Company/Title
Jeremy Carpenter	TPS, Manager Operations
Tom Boyd	TPS, VP & GM E&P, formally VP Operations
Trudy Harper	TPS, President
Keith Emery	TPS, VP Origination
Brad Cox	TPS, VP Regulatory & Compliance
John Varnell	TPS, Director Comm & Technology Applications
Thomas Sorrells	TPS, ERCOT Asset Manager

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that TPS 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
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	N/A
BAL-005-0	R3.	N/A
BAL-005-0	R4.	N/A
BAL-005-0	R5.	N/A
BAL-005-0	R6.	N/A
BAL-005-0	R7.	N/A
BAL-005-0	R8.	N/A
BAL-005-0	R9.	N/A
BAL-005-0	R10.	N/A
BAL-005-0	R11.	N/A
BAL-005-0	R12.	N/A
BAL-005-0	R13.	N/A
BAL-005-0	R14.	N/A
BAL-005-0	R15.	N/A
BAL-005-0	R16.	N/A
BAL-005-0	R17.	N/A
CIP-001-1	R1.	Compliant

Reliability Standard	Requirement	Finding
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002 through CIP-009		Reviewed
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
EOP-004-1	R1.	N/A
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	N/A
EOP-004-1	R5.	N/A
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	N/A
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
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
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A
IRO-005-1	R6.	N/A
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A
IRO-005-1	R9.	N/A
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A

Reliability Standard	Requirement	Finding
IRO-005-1	R12.	N/A
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
TOP-002-2	R1.	N/A
TOP-002-2	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	N/A
TOP-002-2	R5.	N/A
TOP-002-2	R6.	N/A
TOP-002-2	R7.	N/A
TOP-002-2	R8.	N/A
TOP-002-2	R9.	N/A
TOP-002-2	R10.	N/A
TOP-002-2	R11.	N/A
TOP-002-2	R12.	N/A
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	N/A
TOP-002-2	R17.	N/A
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	N/A
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	N/A
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	N/A
VAR-002-1	R5.	Compliant

3.2 Conclusion

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

3.3. Compliance Culture

TPS was cooperative with the audit team's needs and information requests throughout the entire audit process. Based on the information provided throughout the audit process, via documentation and interviews, TPS has a compliance program in place which promotes compliance within the company. The senior management of TPS strongly supports TPS' compliance program and it is evident throughout the organization and its employees.