

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

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# **Compliance Audit Report Public Version**

**Reliant Energy Florida, LLC  
January 6 and 7, 2009**

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

**April 7, 2009**

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## Executive Summary

As part of the Florida Reliability Coordinating Council, Inc. (FRCC) Compliance Monitoring and Enforcement Program (CMEP), the FRCC performs On-Site Compliance Audits of each Generator Operator and/or Generator Owner within the Region once every six (6) years.

The FRCC 2009 Compliance Audit of Reliant Energy Florida, LLC (REF) was conducted on Tuesday January 6, 2009 and Wednesday January 7, 2009 at REF's corporate offices in Houston, Texas.

The specific North American Electric Reliability Corporation (NERC) Reliability Standards, applicable requirements, along with REF documentation (where required to demonstrate compliance), were reviewed by the compliance audit team. Relevant copies of documents, detailed audit notes, Reliability Standard Audit Worksheets (RSAWs) and detailed basis of findings are included in the REF audit record file.

A total of thirteen (13) NERC Reliability Standards were reviewed, and the audit team found that:

- REF was fully compliant with twelve (12) standards that included forty-nine (49) requirements
- One (1) of the standards with eleven (11) requirements was not applicable to REF

## Audit Process

The compliance audit team followed the audit process steps that are outlined in the FRCC CMEP. The audit included the use of the NERC RSAWs along with the NERC reliability standards for definition of requirements. The FRCC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices, as required by NERC.

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.<sup>1</sup> The audit objectives are:

- Independently review REF's compliance with the requirements of the reliability standards that are applicable to REF based on the REF registered functions.

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

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- Validate compliance with applicable reliability standards from the NERC 2009 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 REF's compliance culture.

### **Scope**

A compliance audit will include all reliability standards applicable to the Registered Entity monitored in the NERC and FRCC Implementation Plans in the current and three previous years, (back to June 18, 2007) and may include other reliability standards applicable to the Registered Entity. The scope of an on-site compliance can vary depending on whether it is scheduled as part of a regular, periodic scheduled audit or as part of a compliance investigation.

The scope of this audit included:

- Review of submitted documentation at REF facility.
- Validation of REF's 2008 self-certification documents.
- Review of REF compliance with the specifically monitored standards included in the 2009 FRCC Implementation Plan and did not include the period prior to June 18, 2007.
- Detailed review of procedures, plans, records (such as training and maintenance), and other documentation developed by REF to demonstrate compliance with the applicable NERC reliability standards requirements. See Documentation table in this report for a listing of evidence submitted by REF.

### **Confidentiality and Conflict of Interest**

The FRCC staff signed Non-Disclosure Acknowledgements as per the NERC Rules of Procedures. The signed documents, work history and conflict of interest forms of each audit team participant were provided to REF in advance of the on-site audit. REF 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. REF accepted the audit team participants with no objections.

### **On-site Audit**

On October 23 2008, the FRCC submitted the 60 day notice of on-site audit to REF by e-mail and US mail as required by the CMEP. The notice of the audit defined the process, the expectations, and a request for data submittal.

In addition, REF was provided with a pre-audit survey, the audit scope, folders containing the RSAW's and associated reliability standards, an agenda, and a table of the reliability standards to be reviewed during the audit. The audit team incorporated professional judgment during the on-

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site audit by considering the results of the evidence provided by the REF when validating compliance with reliability standards.

The audit team had flexibility to expand the scope of the audit by notifying the REF in advance via the agenda that additions to the initial scope of the audit will be requested by the audit team leader if necessary during the audit overview meeting between the audit team and REF.

### ***Methodology***

The audit team conducted a pre-audit review of the evidence of compliance supplied by REF, at the FRCC office on December 29, 2008. After initial review of the data using the RSAWs, the audit team advised REF that submittal of follow-up data was required for further determination and clarification of the evidence submitted. Letters from Mr. B. Pagel to Mr. C. Hajovsky, dated December 29, 2008 (request #1), January 6, 2009 (request #2), with REF responses, included in the list of Documentation.

An audit overview meeting was held with REF via a conference call on December 17, 2008. The team leader went over the logistics and the agenda with REF and informed the REF of the audit team's expectations while on site. During this meeting, the team leader confirmed the areas that would be investigated via an interview and requested that appropriate subject matter experts be available. REF was in agreement with the agenda. REF also provided the audit team with instructions of where to enter its facility and confirmed the necessary personnel would be available during the audit.

### ***Audit Overview***

Upon arrival at REF, the audit team leader presented an overview of the audit agenda to REF's audit participants. A brief discussion took place regarding the coordination of interviews. REF was informed when the preliminary compliance audit findings would be presented to its participants.

The audit team had direct communications with management as well as the subject matter experts who were collectively the audit participants. These interviews, in conjunction with submitted evidence, provided the audit team with a basis for their professional judgment when validating compliance with reliability standards. In accordance to the Generally Accepted Government Auditing Standard 3.31 – Auditors must use professional judgment in planning and performing audits and in reporting the results. The audit team was pleased with REF's flexibility to accommodate its schedules and to be readily available to answer questions regarding the assessed reliability standards.

The audit team requested additional documentation from REF and asked the audit participants to clarify questions or concerns the audit team had in validating compliance. If a possible violation was determined, the team discussed their findings as to where REF may have failed to provide evidence of compliance and reached a team consensus.

## ***Audit***

The on-site audit included a thorough review of REF's submitted evidence verifying compliance by the use of the NERC RSAWs. In instances where the evidence was not clear or insufficient, the audit team prepared, discussed follow-up questions to REF requesting further evidence to validate compliance.

## ***Exit Briefing***

An exit briefing, with the preliminary findings, was presented to the REF management staff indicating the status compliance to all applicable standards and requirement reviewed by the audit team

At the completion of the compliance audit, preliminary finding were presented to REF's audit participants. (A list of the participants is included in this report). The monitored reliability standards were summarized. REF was informed of the following next steps:

- The draft audit report will be provided for REF's review.
- REF is to provide written comments to FRCC within fourteen (14) days of receipt of the draft report.
- The audit team will finalize the report and provide to FRCC Compliance Staff.
- The FRCC Compliance Staff will review the audit report and determine the initial findings of alleged violation(s), if any.
- Notice of alleged violation and penalty will be submitted to REF, if any.
- The final audit report will be issued and forwarded to NERC for posting in accordance with the FRCC CMEP.
- REF feedback of the audit process will be requested.

## ***Company Profile***

REF is registered as a Generator Operator and Generator Owner. REF owns two (2) power stations in the FRCC regional footprint.

REF is a subsidiary of Reliant Energy, Inc. based in Houston, Texas, which provides electricity and energy-related products to approximately 1.8 million retail and wholesale customers in Texas and in the Mid-Atlantic Region. Reliant Energy, Inc. is one of the largest independent power producers in the nation with more than 14,000 megawatts of power generation capacity in operation or under contract across the United States.

## ***Audit Specifics***

The compliance audit was conducted on January 6 and 7, 2009 at the REF office in Houston, Texas.

### Audit Team

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Compliance Auditor	FRCC
Member	Senior Compliance Auditor	FRCC

### REF Audit Participants

<b>Title</b>	<b>[Audited Entity] Organization</b>
Senior Vice President, Generation Operations	REF
Vice President, Regulatory Affairs	REF
Director, Regulatory Affairs & NERC Reliability Standards	REF
Director, Dispatch and Real Time Operations	REF
Manager, Regulatory Affairs	REF
Manager, Regulatory Affairs	REF
Manager, Ethics and Compliance	REF
Senior Regulatory Specialist and NERC Reliability Standards	REF

## Audit Results

The audit team utilized the NERC RSAWs and their professional judgment in determining compliance to each applicable standard and applicable requirement by REF. The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2009 Implementation Plan.

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**Findings**

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R1.1.	Compliant
FAC-008-1	R1.2.	Compliant
FAC-008-1	R1.2.1.	Compliant
FAC-008-1	R1.2.2.	Compliant
FAC-008-1	R1.3	Compliant
FAC-008-1	R1.3.1.	Compliant
FAC-008-1	R1.3.2.	Compliant
FAC-008-1	R1.3.3	Compliant
FAC-008-1	R1.3.4	Compliant
FAC-008-1	R1.3.5	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-1	R13.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Complaint
PRC-001-1	R2.1	Complaint
PRC-001-1	R3.1	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R5.1	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R1.1	Compliant
PRC-005-1	R1.2	Compliant
PRC-005-1	R2.	Compliant
PRC-005-1	R2.1	Compliant

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
PRC-005-1	R2.2	Compliant
PRC-017-0	R1.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R1.1	N/A
PRC-017-0	R1.1.1	N/A
PRC-017-0	R1.1.2	N/A
PRC-017-0	R1.1.3	N/A
PRC-017-0	R1.1.4	N/A
PRC-017-0	R1.2	N/A
PRC-017-0	R1.3	N/A
PRC-017-0	R1.4	N/A
PRC-017-0	R1.5	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R7.1	Compliant
TOP-001-1	R7.3	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R14.1	Compliant
TOP-002-2	R14.2	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant

***Compliance Culture***

The REF's compliance culture was not reviewed by the audit team. The Regional Entity compliance staff will review the REF's compliance culture.