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Compliance Audit Report

Public Version

Devon Power LLC

NCR07058

May 25 to June 11, 2009

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

6/11/2009

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Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

The off-site compliance audit of Devon Power LLC (Devon), NERC ID #NCR07058 was conducted between May 25 and June 11, 2009. At the time of the audit, Devon was registered for the GO and GOP functions. The audit team evaluated Devon Power LLC for compliance with thirty-one requirements in thirteen Reliability Standards in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan for the period of the current year and previous from June 18, 2007, unless a different retention period is specified in an individual reliability standard. Devon Power LLC submitted information and documentation to aid the audit team's evaluation of compliance with requirements and provided subject matter experts for each standard resulting in a more clear understanding of the Devon Power LLC business model, which helped accelerate the audit process. When the evidence provided to demonstrate compliance or non-applicability required additional requests for information and evidence, the Devon Power LLC team responded to these requests in an expeditious manner. The audit was conducted using the data submitted by Devon as well as telephone and email data exchanges. The audit team reviewed and evaluated all information provided by Devon Power LLC to assess compliance with the standards applicable to the Generator Owner (GO) and Generator Operator (GOP) functions. There were no ongoing or recently completed mitigation plans and, therefore, none were reviewed by the audit team.

The Audit Team evaluated Devon Power LLC on 60 requirements and sub-requirements in 13 Reliability Standards. Based on the information and documentation provided by Devon Power LLC, the audit team found Devon Power LLC to be compliant with 40 of 60 applicable requirements and sub-requirements and 12 of 13 applicable NERC Reliability Standards. The audit team determined that 20 requirements and sub-requirements and 1 Reliability Standard were not applicable to Devon Power LLC. The audit results are further explained in the Audit Results Findings section of this report, which includes the audit team's determination of applicability and compliance for the Reliability Standards within the scope of the compliance audit.

All additional information requested was provided promptly and comprehensively. The audit team would like to thank the Devon Power LLC team for the support offered throughout the audit.

Audit Process

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.¹ The audit objectives are to:

- Independently review Devon Power LLC's compliance with the requirements of the reliability standards that are applicable to Devon based on Devon Power LLC's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards and additional NERC reliability standards selected by NERC.
- Validate compliance with applicable Regional Standards from the NPCC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications and confirm compliance with other requirements of the reliability standard.
- Review the status of associated mitigation plans.
- Observe and document Devon Power LLC's compliance program and culture.

Scope

The audit included all standards identified in the February 17, 2009 audit letter for the previous year. The audit was a regularly scheduled audit and no open self-reported violations, made pre or post June 18, 2007, no open mitigation plans, previous audits, or compliance investigations were involved. There were no separate requests made by Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

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

At the time of the audit, Devon Power LLC was registered for the functions GO and GOP. The audit team evaluated Devon for compliance during the period of June 18, 2007 through May 11, 2009.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staff were provided to the audited entity in advance of the audit. The audited entity 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. The audited entity accepted the audit team member participants with no objections.

Off-site Audit

Devon Power LLC was provided with a pre-audit request letter identifying the standards and requirements subject to audit for the Generator Owner (GO) and Generator Operator (GOP) functions, which included: CIP-001-1 R1, R2, R3, R4; COM-002-2 R1; FAC-008-1 R1, R2, R3; FAC-009-1 R1, R2; IRO-001-1 R8; IRO-004-1 R4; IRO-005-1 R13; PRC-001-1 R1, R2, R3, R5; PRC-004-1 R2, R3; PRC-005-1 R1, R2; PRC-017-0 R1, R2; TOP-001-1 R3, R6, R7; and TOP-002-2 R3, R13, R14, R15, R18. The audit letter was sent to Devon Power LLC more than 60 days in advance of the scheduled audit.

This is an off-site audit conducted every six years or as determined to be necessary by the region. Devon Power LLC had no open self-reported violations, made pre or post June 18, 2007, no open mitigation plans, previous audits or compliance investigations, and there were no requests made to the entity to supply information as it pertains to compliance other than for this audit.

The audit team leader requested that Devon Power LLC employees representing subject matter expertise regarding the registered functions of Devon Power LLC be made available for interviews should the need arise. These interviews, in conjunction with evidence submitted, would then provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Generally accepted government auditing standard 3.39 places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement; it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit but rather identifying, considering, minimizing, mitigating, and explaining them.

Methodology

The audit team prepared reliability standards audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

Audit Overview

The auditor reviewed his career and noted that he had signed a confidentiality agreement. A brief explanation of the audit process was given and the audit timelines were discussed. The auditor stated that the auditors have the ability and authority to expand the audit beyond the initial set of the standards and requirements identified in the audit notification letter should the need arise. The auditors also stated that corroborating evidence from other entities might be required to substantiate Devon Power LLC's compliance.

Devon Power LLC was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest, have any concerns regarding the auditor's background or if they thought that the auditor would not be impartial. Devon Power LLC accepted the auditor.

Audit

The auditor performed the audit off-site. The auditor reviewed the information submitted by Devon Power LLC and developed a list of questions and requests for further information; the list was sent to Devon Power LLC for their review. Devon then took the time necessary to gather the required information and submitted the information back to the auditor via email.

Exit Briefing

The exit briefing was conducted via conference call at 10:00 AM on Thursday, June 11, 2009. The teleconference was between the NPCC auditor and Devon Power LLC. The NPCC staff reviewed the audit process and summarized the findings of the audit for each standard and requirement. After reviewing all the data, the audit team found Devon Power LLC to be compliant with 40 of 60 applicable requirements and sub-requirements and 12 of the 13 applicable NERC Reliability Standards. The audit team determined that 20 requirements and sub-requirements and 1 NERC Reliability Standard were not applicable to Devon Power LLC.

Devon was presented an opportunity to question the audit findings and provide comments on the audit. The auditor provided some ways to enhance their management of data evidence.

Company Profile

Devon Power LLC is registered as the generator owner and operator located in the NRG Energy Inc.'s Northeast Portfolio under the Regional President of the Northeast region and Senior Vice President of Plant Operations. Devon Power LLC provides operating services for the facility, which operates within the balancing authority area of the Independent System Operator of New England and locally within the southwest area of Connecticut under the jurisdiction of CONVEX.

The facility has 5 gas turbines located in Milford, Connecticut. This facility operates within the footprint of the Independent System Operator of New England ISO-NE (BA) and connects to the Bulk Electric System at the Connecticut Light and Power (TO) substations.

Audit Specifics

The compliance audit was conducted from May 25, to June 11, 2009.

Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

Devon Power LLC

Title	Organization
Director of Regulatory Compliance Plant Manager	NRG Energy, Inc Devon Power LLC
O&M Manager	Devon Power LLC

Audit Results

Devon Power LLC provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation.

The audit team prepared reliability standards audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

After reviewing all the data, the audit team found Devon Power LLC to be compliant with 40 of 60 applicable requirements and sub-requirements and 12 of 13 applicable NERC Reliability Standards. The audit team determined that 20 requirements and sub-requirements and 1 NERC Reliability Standard were not applicable to Devon.

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Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2009 Implementation Plan.

Reliability Standard	Requirement	Finding
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	Lead In Statement
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	Not Applicable
FAC-008-1	R3	Not Applicable
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	Compliant
PRC-001-1	R2.1	Not Applicable
PRC-001-1	R3	Not Applicable
PRC-001-1	R3.1	Not Applicable
PRC-001-1	R5	Not Applicable
PRC-001-1	R5.1	Not Applicable
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
PRC-005-1	R2.2	Compliant
PRC-017-0	R1	Not Applicable
PRC-017-0	R1.1	Not Applicable

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PRC-017-0	R1.1.1	Not Applicable
PRC-017-0	R1.1.2	Not Applicable
PRC-017-0	R1.1.3	Not Applicable
PRC-017-0	R1.1.4	Not Applicable
PRC-017-0	R1.2	Not Applicable
PRC-017-0	R1.3	Not Applicable
PRC-017-0	R1.4	Not Applicable
PRC-017-0	R1.5	Not Applicable
PRC-017-0	R2	Not Applicable
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 audit team reviewed the Devon Power LLC's compliance culture. During all contacts, the Devon Power LLC representative was very professional and positive in his approach to compliance and understood the importance of the compliance and its role in maintaining reliability. All additional information requested was provided promptly and comprehensively.

Devon Power LLC has one central coordinator assigned at the facility for monitoring, coordinating the activities and reporting on the various NERC Reliability Standards requirements. Devon Power LLC's regulatory compliance program is part of the NRG Energy, Inc. ("NRG") regulatory compliance program. NRG's regulatory compliance program is housed within the Legal Department. The head of the Regulatory Compliance Group reports at least quarterly to the Financial Risk Management Committee whose members include the CEO, COO, and other senior executives at NRG, as well as to the Commercial Operations Oversight Committee of the NRG Board of Directors. In addition, it should be noted that Devon's procedures are aligned closely with the NERC reliability standards, which indicates an awareness of the standard and an understanding of the required compliance. It is clear that compliance is an important component of Devon's operation.