



Compliance Audit Report Public Version

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

**US Operating Services Company -
Chambers
NCR08034**

**Date of Audit
March 17-24, 2009**

**Date of Report
May 7, 2009**

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Executive Summary

This 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.

An off-site compliance audit of US Operating Services Company - Chambers (USOSC-Chambers) was conducted from March 17-24, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, USOSC-Chambers, NERC ID# - NCR08034 was registered for the Generator Operator (GOP) function that it performs in the ReliabilityFirst region.

ReliabilityFirst provided a 60 day notification to USOSC-Chambers which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. USOSC-Chambers submitted material that the audit team reviewed and used to assess USOSC-Chambers' compliance with the NERC Reliability Standards. The audit team developed findings based on this review and assessment.

The audit team assessed compliance with 10 NERC Reliability Standards which are applicable to the function USOSC-Chambers is registered to perform in the ReliabilityFirst region. The 10 NERC Reliability Standards include 25 requirements that are applicable to the GOP function. No ReliabilityFirst regional standards were included in the scope of the audit.

USOSC-Chambers was prepared for the audit and presented its documentation in a complete and concise manner. The audit team did not find any violations as a result of this review. Of the 10 NERC Standards, 1 Standard and 2 associated requirements were determined to be not applicable to USOSC-Chambers. USOSC-Chambers was found to be fully compliant with the 9 NERC Standards and the 23 requirements that are applicable to USOSC-Chambers for the function that it is registered to perform in the ReliabilityFirst region.

There were no ongoing mitigation plans and therefore none were reviewed by the audit team.

Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst 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:

- Review USOSC-Chambers' compliance with the requirements of the Reliability Standards that are applicable to USOSC-Chambers based on USOSC-Chambers' registered function(s)
- 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 USOSC-Chambers' internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that are applicable to USOSC-Chambers

Scope

The scope of the audit included Reliability Standards which were selected by NERC for monitoring via audit in the 2009 CMEP Implementation Plan, and additional Reliability Standards selected by *ReliabilityFirst*. *ReliabilityFirst* also monitored all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate for the period of June 18, 2007 through the date of the audit.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. The audited entity was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history of each audit team member was provided to the audited entity. 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 did not submit any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. *ReliabilityFirst* found no conflict of interest for any of the audit team members.

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

Off-site Audit

USOSC-Chambers is subject to an audit once every six years as provided by the NERC Rules of Procedure. USOSC-Chambers was provided a 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and Reliability*First* audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence, information, and data submittals
- Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History with discussion of objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to USOSC-Chambers in both electronic and hardcopy format.

Reliability*First* discussed the use of technical experts with the USOSC-Chambers primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by USOSC-Chambers as it deemed necessary to explain their compliance to the Reliability Standards. As such, USOSC-Chambers had been notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to demonstrate compliance with Reliability Standards.

An audit agenda and/or schedule were provided to USOSC-Chambers in advance to allow the necessary time to prepare for the audit. USOSC-Chambers' cooperation and flexibility with the agenda was appreciated by the audit team.

The audit team reviewed USOSC-Chambers' compliance processes for all applicable standards with USOSC-Chambers technical experts and requested additional information to clarify information previously supplied to the team. These interviews in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the Reliability Standards.

Methodology

The audit team reviewed the evidence provided by USOSC-Chambers for each of the requirements that are applicable to the function performed by the company to determine if the company complied with those Reliability Standards and associated requirements. Attestations stating answers to questions are true and correct were provided by USOSC-Chambers, signed by the General Manager. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

Opening Briefing

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Audit Team Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The audit team reviewed each requirement and the evidence provided to determine if USOSC-Chambers was compliant to the requirement. The team discussed its findings to determine USOSC-Chambers' compliance to each of the standards. Upon request, USOSC-Chambers provided additional information or clarified existing information during the review of its material with their subject matter experts.

Exit Briefing

The audit team presented its preliminary findings to the USOSC-Chambers staff. The team lead explained the findings from the audit. The exit presentation also covered the reporting process going forward, and audit feedback forms that the region is using to improve their audit process. In addition, the audit team presented recommendations on quality of evidence that the team identified during the audit. USOSC-Chambers was provided an opportunity to ask questions that the audit team addressed.

Company Profile

USOSC-Chambers performs the following NERC function in the Reliability*First* region and is registered with NERC/Reliability*First* for the following function:

- Generator Operator (GOP)

US Operating Services Company - Chambers (USOSC-Chambers) is located in Carney's Point, NJ, and operates a coal fired generation facility which delivers contracted energy to Atlantic City Electric (ACE). Its nominal capacity is 240 MW.

Audit Specifics

The compliance audit was conducted on March 17 - 24, 2009 at the Reliability*First* office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Consultant, Compliance	ReliabilityFirst Corporation
Member	Consultant	Scott Porteous & Associates

USOSC-Chambers Audit Participants

Title	Organization
Vice President - Operations	USOSC-Chambers
General Manger	USOSC-Chambers
Shift Supervisor	USOSC-Chambers
Reliability Standards Compliance Group	USOSC-Chambers
Reliability Standards Compliance Group	USOSC-Chambers

Audit Results

The audit team assessed USOSC-Chambers' compliance with 10 NERC Reliability Standards, including 25 requirements that are applicable to the GOP function.

After reviewing all of the evidence presented, USOSC-Chambers was found to be compliant with 9 NERC Reliability Standards and 23 requirements that apply to USOSC-Chambers for the function that it is registered to perform in the ReliabilityFirst Region. The audit team determined that 1 NERC Reliability Standard and 2 associated requirements were not applicable to USOSC-Chambers for the time period of the audit.

Findings

The following table details the auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

USOSC-Chambers Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
BAL-005-0b	R1	Compliant
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
EOP-009-0	R1	N/A
EOP-009-0	R2	N/A
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-2	R13	Compliant
PRC-001-1	R1	Compliant
PRC-001-1	R2	Compliant
PRC-001-1	R3	Compliant
PRC-001-1	R5	Compliant
TOP-001-1	R3	Compliant
TOP-001-1	R6	Compliant
TOP-001-1	R7	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R13	Compliant
TOP-002-2	R14	Compliant
TOP-002-2	R15	Compliant
TOP-002-2	R18	Compliant
TOP-003-0	R1	Compliant
TOP-003-0	R2	Compliant
TOP-003-0	R3	Compliant

Compliance Culture

US Operating Services Company - Chambers (USOSC-Chambers) is a member a group of facilities that is operated and managed by Cogentrix Energy, LLC. Internal compliance program policies state the company's commitment to support and promote the adequacy, reliability and security of the bulk electrical system. The internal Reliability Standard Compliance Group conducts on-site internal audits and provides interpretation and training on standard and requirements. Software is used to monitor and track reporting requirements.

Cogentrix Energy is active in RRO operation, attends NERC and RRO compliance conferences and applies knowledge gained to future training sessions with the USOSC-Chambers staff.

Although Cogentrix, LLC directs the compliance program, it is managed locally by the USOSC-Chambers General Manager, who in turn reports to the Cogentrix VP of Operations, and has direct access to the Cogentrix Senior VP, Asset Management.