

Fulcrum Power Services LP

NERC ID # NCR04073

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: February 18 – 19, 2009
Audit Location: 5120 Woodway Dr.
Houston, Texas 77056
Report Date: April 4, 2009
Prepared By: Frank Vick, Audit Team Leader

TABLE OF CONTENTS

| | | |
|------|--------------------------|---|
| 1.0 | Executive Summary | 3 |
| 2.0 | Audit Process..... | 3 |
| 2.1 | Objectives | 3 |
| 2.2 | Scope..... | 3 |
| 2.3 | Methodology | 4 |
| 2.4 | Company Profile | 4 |
| 2.5 | Audit Specifics | 4 |
| 3.0 | Audit Results..... | 5 |
| 3.1 | Findings | 5 |
| 3.2 | Conclusion | 7 |
| 3.3. | Compliance Culture | 7 |

1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of Fulcrum Power Services LP (FPS) was conducted on February 18 – 19, 2009. The NERC Reliability Standards that are being actively monitored for 2009 were reviewed based on FPS' registration as a Generator Operator (GOP). The audit team consisted of four representatives from Texas Regional Entity (Texas RE). Based on the review of documentation provided by FPS and the interviews of FPS personnel, FPS met all of the NERC Standard requirements.

FPS staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that was subject to this audit. FPS staff responded by providing evidence in the form of reports, procedures, studies and other documents. FPS staff then cited specific portions of the evidence that demonstrated compliance. This evidence was documented and evaluated by the audit team to assess the level of compliance. If all of the requirements and sub-requirements of an audited standard were met, then FPS was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then FPS was judged to have a possible violation of the standard.

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 FPS's compliance with the requirements of the reliability standards that are applicable to FPS based on the FPS's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 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 FPS'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 2009 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 four members of Texas RE.

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

Note: For the 2009 compliance program, the monitoring period for the compliance audit will generally be the last three years, the time since FPS's last audit as a GOP 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

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

2.3 Methodology

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

2.4 Company Profile

Fulcrum Power Services, with its general partner Fulcrum Energy LLC, manages the physical, financial and commercial energy transactions and logistics for power generators (renewable and fossil fueled assets), retail electricity providers (REPs), large consumers, and financial entities. From forecasting and hedging, to scheduling and dispatch, we provide a wide array of high value energy management services. In addition to energy services, Fulcrum owns and commercially operates power generation facilities in the United States.

2.5 Audit Specifics

Audit Date: February 18 – 19, 2009
 Audit Location: 5120 Woodway Dr.
 Houston, Texas 77056

Texas RE Audit Team:

| Name | Company/Title |
|---------------|----------------------------|
| Frank Vick | Texas RE/Audit Team Leader |
| Mark Scovill | Texas RE/Auditor |
| Scott Jackson | Texas RE/Auditor |

| Name | Company/Title |
|------------|------------------|
| Dan Kueker | Texas RE/Auditor |
| | |
| | |

Fulcrum Power Services LP Audit Participants:

| Name | Company/Title |
|---------------------|--------------------------------------|
| Cherie S. Fuller | FPS/Senior Director |
| Chris Ray | FPS/Senior Director |
| Brian William Tyson | FPS/Manager of Commercial Operations |
| Craig Bluerock | FPS/Director of IT |
| Jesson Bradshaw | FPS/Chief Executive Officer |
| Jessica Kronman | FPS/Business Analyst |
| Alison Zientara | FPS/Operator |
| | |
| | |

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that FPS was compliant with all 2009 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-001-1 | R1. | Compliant |
| CIP-001-1 | R2. | Compliant |
| CIP-001-1 | R3. | Compliant |
| CIP-001-1 | R4. | Compliant |
| COM-002-2 | R1. | Compliant |
| COM-002-2 | R2. | 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 |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| 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 |
| 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 |
| PRC-001-1 | R1. | Compliant |
| PRC-001-1 | R2. | Compliant |
| PRC-001-1 | R3. | Compliant |
| PRC-001-1 | R4. | N/A |
| PRC-001-1 | R5. | Compliant |
| PRC-001-1 | R6. | N/A |
| TOP-001-1 | R1. | N/A |
| TOP-001-1 | R2. | N/A |
| TOP-001-1 | R3. | Compliant |
| TOP-001-1 | R4. | N/A |
| TOP-001-1 | R5. | N/A |
| TOP-001-1 | R6. | Compliant |
| TOP-001-1 | R7. | Compliant |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| TOP-001-1 | R8. | 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 |

3.2 Conclusion

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

3.3. Compliance Culture

Based on the information provided in the Audit General Information Request and the audit results, FPS has a compliance program in place which promotes compliance within the company. FPS was cooperative with all of the audit team's initial and additional information requests.