

Calpine Power Management, LP

NERC ID # NCR04027

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: March 18 - 20, 2009
Audit Location: 717 Texas Avenue Suite 1000
Houston, Texas 77002
Report Date: June 2, 2009
Prepared By: Frank Vick, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of Calpine Power Management, LP (Calpine) was conducted on March 18 - 20, 2009. The NERC Reliability Standards that are being actively monitored for 2009 were reviewed based on Calpine's registration as a Generator Operator (GOP). Calpine's accepted and completed mitigation plans for self reported violations from 2007 were reviewed and validated. The audit team consisted of four representatives from Texas Regional Entity (Texas RE). Based on the review of documentation provided by Calpine and the interviews of Calpine's personnel, Calpine 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 Calpine's compliance with the requirements of the reliability standards that are applicable to Calpine based on the Calpine'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 Calpine'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.

The scope of the compliance audit also included the verification of accepted and completed mitigation plans for Calpine's self reported violations from 2007 applicable to Calpine's registration as a GOP.

Note: For the 2009 compliance program, the monitoring period for the compliance audit will generally be the last three years, the time since Calpine's last audit as a GOP / QSE or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

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

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, Calpine 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 Calpine'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 verified the completion of Calpine's accepted and completed mitigation plans for Calpine's self reported violations from 2007 for their registration as a GOP.

The audit team conducted an exit briefing immediately following the audit with Calpine. The audit team verbally shared its preliminary results with Calpine's management.

2.4 Company Profile

Calpine is an independent power producer committed to producing clean, efficient, cost-competitive electricity. Our primary business is the generation and sale of electricity and electricity related products and services to wholesale and industrial customers through the operation of our owned and leased power generation assets with approximately 24, 000 MW of generating capacity. Because Calpine is committed to providing customers with clean, fuel-efficient, reliable electricity, the company focuses on two key technologies: combined-cycle natural gas fired and geothermal power generation. At December 31, 2007, Calpine owned or leased a portfolio of 60 active, clean burning, natural gas-fired power plants throughout the U.S. and 17 active geothermal power plants in the Geysers region of northern California.

2.5 Audit Specifics

Audit Date: March 18 - 20, 2009
 Audit Location: 717 Texas Avenue Suite 1000
 Houston, Texas 77002

Texas RE Audit Team:

Name	Company/Title
Frank Vick	Texas RE / Audit Team Leader
Scott Jackson	Texas RE / Auditor

Name	Company/Title
Sarah Hensley	Texas RE / Auditor
Dennis Caufield	Texas RE / Auditor

Calpine Audit Participants:

Name	Company/Title
Darrell Scruggs	Calpine / Director NERC Compliance (GO)
Lou Miller	Calpine / Operations Manager
Brent Hebert	Calpine / Director NERC Compliance
Chris Coulter	Calpine / Director NERC Compliance
Randy Jones	Calpine / VP Market Design
Jason Armenta	Calpine / VP Trading (ERCOT)
Jay Moore	Calpine / Manager Power Operations
Bob Regan	Calpine
Duncan Brown	Calpine / VP NERC Compliance
Jay Creasy	Calpine
Rick Grace	Calpine / Network Engineer
Paul Dougherty	Calpine / Director Plant Support Services
Marshall Bass	Calpine
Brandon Lancaster	Calpine /Real Time Trader (ERCOT)

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Calpine 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

Reliability Standard	Requirement	Finding
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
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

Reliability Standard	Requirement	Finding
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
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 Mitigation Plan Findings

The Compliance Audit Team found that Calpine completed the accepted mitigation plans listed below at the time of the audit.

The following table is a summary of the auditor's notes for verification of the accepted and completed mitigation plans for self reported violations of NERC standards reviewed during the audit:

Reliability Standard and Requirement	Reg.	NERC Violation ID Number	Finding
BAL-005-0, R1	GOP	ERCOT200703026	Verified Complete
CIP-001-1, R1	GOP	ERCOT200703136	Verified Complete
CIP-001-1, R2	GOP	ERCOT200703140	Verified Complete
CIP-001-1, R3	GOP	ERCOT200703106	Verified Complete
CIP-001-1, R4	GOP	ERCOT200703027	Verified Complete
IRO-004-1, R4	GOP	ERCOT200702257	Verified Complete
PRC-001-1, R1	GOP	ERCOT200703005	Verified Complete
PRC-001-1, R2	GOP	ERCOT200703007	Verified Complete
PRC-001-1, R3	GOP	ERCOT200703003	Verified Complete
PRC-001-1, R5	GOP	ERCOT200703036	Verified Complete
VAR-002-1, R5.1	GOP	ERCOT200703101	Verified Complete

3.3 Conclusion

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

Calpine was found to have completed all of the mitigation plans reviewed during the audit.

3.4 Compliance Culture

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