



Compliance Audit Report Public Version

Mirant Potomac River, LLC
NERC ID# NCR00830

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

Date of Audit: October 18 - November 4, 2010

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Executive Summary

A compliance audit of Mirant Potomac River, LLC (Mirant Potomac River), NERC ID # - NCR00830 was conducted from October 18 - November 4, 2010. At the time of the audit, Mirant Potomac River was registered for the Generator Operator (GOP) and Generator Owner (GO) functions

The audit team evaluated Mirant Potomac River for compliance with forty-six (46) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, applicable Regional Reliability Standards, for the period of June 18, 2007 - November 4, 2010. Mirant Potomac River submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Mirant Potomac River to assess compliance with standards applicable to Mirant Potomac River at this time.

Based on the information and documentation provided by Mirant Potomac River, the audit team found Mirant Potomac River to be compliant with thirty-six (36) applicable requirements. The audit team determined that ten (10) requirements were not applicable to Mirant Potomac River. The Audit Team did not identify any violations as a result of this review..

The Reliability*First* audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).*

* This statement replaces the Regional Entity Self-Certification process.

Audit Process

The compliance audit process steps are detailed in the Reliability*First* CMEP. The Reliability*First* 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 an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.[†] The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to Mirant Potomac River, based on the functions that Mirant Potomac River is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by Reliability*First*;
- Validate compliance with applicable regional standards from the Reliability*First* 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document Mirant Potomac River's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the Reliability*First* 2010 Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, Mirant Potomac River was registered for the Generator Operator (GOP) and Generator Owner (GO) functions. The audit team evaluated Mirant Potomac River for compliance during the period of June 18, 2007 - November 4, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the Reliability*First* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. Mirant Potomac River was informed of Reliability*First*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Mirant Potomac River. Mirant Potomac River was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of

[†] North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

duties. Mirant Potomac River had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by Mirant Potomac River.

Methodology

The audit team reviewed the information, data, and evidence submitted by Mirant Potomac River and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was due forty (40) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team evaluated all evidence of compliance for sufficiency and appropriateness, according to the Generally Accepted Government Auditing Standards.

The audit team reviewed documentation provided by Mirant Potomac River. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electric System (BES).

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All finding were developed based upon the consensus of the audit team.

Company Profile

Mirant Corporation is a competitive energy company that produces and sells electricity in the United States. Mirant owns or leases 10,097 MW of net electric generating capacity which is located in the Mid-Atlantic and Northeast regions and in California.

The compliance program is administered through the organizations of the chief operating officer and the general counsel and chief compliance officer.

Mirant Potomac River, LLC owns one Power Plant in RFC: Potomac River Power Plant located in Alexandria, VA with five units connected at 69 kV in PEPCOs (TO) switchyard. Mirant's RC, BA, and TOP is PJM. Mirant does not own any transmission assets.

Audit Participants

The following is a listing of all personnel from the Audit Team and Mirant Potomac River who were present during the meetings or interviews.

Audit Team Participants

Audit Team Role	Title	Entity
Audit Team Lead	Consultant	RNJ-Energy
Audit Team Member	Compliance Specialist	ReliabilityFirst

Mirant Potomac River Audit Participants

Title	Entity
Compliance Manager	Mirant Corporation

Audit Results

The audit team evaluated Mirant Potomac River for compliance with forty-six (46) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 - November 4, 2010. Mirant Potomac River submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Mirant Potomac River to assess compliance with standards applicable to Mirant Potomac River at this time.

Based on the information and documentation provided by Mirant Potomac River, the audit team found Mirant Potomac River to be compliant with thirty-six (36) applicable requirements. The audit team determined that ten (10) requirements were not applicable to Mirant Potomac River. The Audit Team did not identify any violations as a result of this review.

Findings

The following table summarizes the findings for compliance for the scope identified for this audit.

Reliability Std	Req.	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant

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CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
FAC-002-0	R1.4 and R1.5.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
IRO-001-1.1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-2	R13.	Compliant
NUC-001-2	R1.	N/A
NUC-001-2	R2.	N/A
NUC-001-2	R3.	N/A
NUC-001-2	R4.	N/A
NUC-001-2	R5.	N/A
NUC-001-2	R6.	N/A
NUC-001-2	R7.	N/A
NUC-001-2	R8.	N/A
NUC-001-2	R9.	N/A
PRC-001-1	R1.	Compliant
PRC-001-1	R2.1	Compliant
PRC-001-1	R3.1	Compliant
PRC-001-1	R5.1	Compliant
PRC-004-1	R2.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-002-2a	R3.	Compliant
TOP-002-2a	R13.	Compliant
TOP-002-2a	R14.	Compliant
TOP-002-2a	R15.	Compliant
TOP-002-2a	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant

VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R3.	Compliant
VAR-002-1.1a	R4.	Compliant
VAR-002-1.1a	R5.	Compliant

Compliance Culture

Mirant Corporation has a formal internal compliance program which Mirant Potomac River, LLC follows. The program is managed independently from the registered entities.

The internal compliance program is distributed down to the requirement owner level through the training of those employees. Training approach includes, classroom training, work sessions, online training, PowerPoint presentations, and review of guidelines and procedures.

The NERC Compliance Program Officer and the Compliance Oversight Committee have independent access to the CEO, and/or Executive Committees. NERC Compliance Risk Area reports are submitted and reviewed quarterly. The report requires each Risk Area Officer to report on a quarterly basis to the Chief Compliance Officer as to the status and ongoing activities of the NERC Compliance Program.

For employees that have direct responsibilities for compliance, senior management has implemented a compensation bonus program which includes goals and expectations around full compliance with all regulations and the reporting of any violations.

Mirant's Compliance Program is evaluated with each Internal Compliance Review and updated to accommodate changes and improvements in an evolving compliance program.

Mirant has a Code of Ethics and Business Conduct and Market Rules and Price Reporting Policy it requires its employees to follow. Failure to follow the Code of Ethics and Business Conduct may result in disciplinary action which could include suspension and/or termination of employment.

Mirant's internal compliance program includes self-assessments and self enforcement of internal controls to prevent reoccurrence of violations. The Compliance Program is reviewed and updated as needed to accommodate change. When a violation occurs, the NERC Compliance Support Group conducts a gap analysis and reviews the registered entity's self assessment efforts and internal controls to further support that entity's mitigation plans to prevent the reoccurrence of the violation