



# **Compliance Audit Report Public Version**

**Cogentrix Virginia Leasing Corp.**  
NERC ID # NCR01206

**And**

**Portsmouth Operating Services, LLC**  
NERC ID # NCR10294

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

**Date of Audit: July 20–21, 2010**

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## Executive Summary

An on-site compliance audit of Cogentrix Virginia Leasing Corporation (CVLC), (NCR01206) and Portsmouth Operating Services, LLC (POS) (NCR01294) was conducted from July 20-21, 2010. At the time of the audit, CVLC was registered for the Generator Owner (GO) function; and POS was registered for the Generator Operator (GOP) function. Collectively, they will be referred to as “Cogentrix”.

The audit team evaluated Cogentrix for compliance with 40 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards for the period of June 18, 2007 to the date of the audit. Cogentrix submitted information and documentation for the audit team’s evaluation of compliance with NERC Reliability Standard requirements. The audit team reviewed and evaluated all information provided by Cogentrix to assess compliance with standards applicable to CVLC and POS at this time.

Based on the information and documentation provided by Cogentrix, the audit team found Cogentrix to be compliant with 38 of the 40 applicable requirements.

The audit team determined that one requirement was not applicable to Cogentrix. Cogentrix does not own or operate an SPS; therefore, PRC-017-0 was not applicable.

The audit team identified one Possible Violation. A Possible Violation was identified for PRC-005-1, Requirement 1, Transmission and Generation Protection System Maintenance and Testing.

These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team’s findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and SERC Reliability Corporation (SERC) CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

The SERC 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) with the following exceptions: The SERC audit team did not adhere to the NERC Compliance Checklist or NERC Compliance Auditor Manual regarding Reliability Coordinator Questionnaires due to the fact that SERC Reliability Corporation only sends Reliability Coordinator Questionnaires when auditing entities registered as Balancing Authorities (BA) and Transmission Operators (TOP).

The link to the Cogentrix Virginia Leasing Corp. NOP can be viewed [here](#).

## **Audit Process**

The compliance audit process steps are detailed in the SERC CMEP. The SERC 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.<sup>1</sup> The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to Cogentrix, based on the functions that CVLS and POS are 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 SERC;
- Validate compliance with applicable regional standards from the SERC Reliability 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document Cogentrix'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 SERC 2010 Implementation Plan. In addition, if appropriate this audit would include any self-reports, self-certifications, outstanding mitigation plans, or remedial action directives which have been completed or pending in the year of the compliance audit. Cogentrix did not have any self-reports, self-certifications, outstanding mitigation plans, or remedial action directives which would have required review during the on-site SERC audit.

At the time of the audit, CVLS was registered for the GO function, and POS was registered for the GOP function. The audit team evaluated Cogentrix for the 2010 compliance program; the monitoring period for the compliance audit will generally be the lesser of: 1) Date of registration to current date; 2) Date of last audit or spot check to current date; or, 3) June 18, 2007 to current date. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

## **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the SERC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. Cogentrix was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Cogentrix. Cogentrix 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 duties. Cogentrix had not submitted any objections by the stated 15 day objection due date and accepted the audit team member

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

participants without objection. There have been no denials of or access limitations placed upon this audit team by Cogentrix.

### **Methodology**

The audit team reviewed the information, data, and evidence submitted by Cogentrix and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SERC 30 days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the last day of the review at the audit site.

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

The audit team reviewed documentation provided by Cogentrix. Data, information, and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. 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 electrical system (BES).

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

### **Company Profile**

Cogentrix Virginia Leasing Corporation and Portsmouth Operating Services, LLC are wholly owned indirect subsidiaries of Cogentrix Energy, LLC, an independent power producer, headquartered in Charlotte, North Carolina.

The Cogentrix facility is located in Portsmouth, Virginia. The maximum facility output is 115 MW and is connected to the transmission system at 230 kV. The facility currently operates under a power purchase agreement with Northern Virginia Electric Cooperative (NOVEC).

### **Audit Participants**

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

#### **Audit Team Participants**

<b>Title</b>	<b>Entity</b>
Senior Compliance Auditor/Audit Team Lead	SERC Reliability Corp.
Senior Compliance Auditor	SERC Reliability Corp.
Senior Compliance Engineer	SERC Reliability Corp.
Compliance Auditor	SERC Reliability Corp.

### Cogentrix Audit Participants

Title	Entity
General Manager	Cogentrix
Ops Manager Special Projects	Cogentrix
Shift Supervisor	Cogentrix
Compliance Tech	Cogentrix
Operations Manager	Cogentrix
Ops Compliance Supervisor	Cogentrix
Compliance Manager	Cogentrix
Maintenance Manager	Cogentrix

### Audit Results

The audit team evaluated Cogentrix for compliance with 40 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to July 21, 2010, the close date of the on-site audit. Cogentrix submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Cogentrix to assess compliance with standards applicable to Cogentrix at this time.

Based on the information and documentation provided by Cogentrix, the audit team found Cogentrix to be compliant with 38 of the 40 applicable requirements. The audit team determined that one requirement was not applicable to Cogentrix. Cogentrix does not own or operate an SPS; therefore, PRC-017-0 was not applicable. The audit team identified one Possible Violation. A Possible Violation was identified for PRC-005-1, Requirement 1, Transmission and Generation Protection System Maintenance and Testing.

### Findings

The following table details 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
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002 through CIP-009		Reviewed by a separate Monitoring Process
COM-002-2	R1.	Compliant
FAC-002-0	R1.	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

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Has Been Removed

<b>Reliability Std.</b>	<b>Req.</b>	<b>Finding</b>
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R2.	Compliant
PRC-005-1	R1.	Possible Violation
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-002-2	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
VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R4.	Compliant
VAR-002-1.1a	R5.	Compliant

## **Compliance Culture**

The audit team assessed Cogentrix's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: Cogentrix-Virginia Leasing Corporation and Portsmouth Operating Services, LLC (NERC Nos. NCR0126 and NCR10294) Compliance Pre-Audit Survey, their program as described in Cogentrix NERC and Regional Reliability Standard Compliance Program and Implementation Policy document, compliance staff organizational charts, interviews with Cogentrix staff, and observation of staff responses in preparation for and during the audit.

Four factors that characterize a vigorous and effective compliance program are: active engagement and leadership by a company's senior management; preventive measures appropriate to the individual circumstances of the company; promptly detecting, stopping, and reporting a violation; and, ultimately fixing the problem and working to avoid future possible violations.

SERC recognizes that there isn't one standard formula for an effective compliance program, and that there will be variations in each company's program and culture based on countless factors, including the size and age of the company, as well as the nature and extent of its business. Ultimately what matters are the results, and whether the compliance program worked as it should.

The audit team determined that Cogentrix's Internal Compliance Program documents and their staff's demonstrated compliance culture indicate an effective compliance program.

Additional information pertaining to the compliance culture of Cogentrix can found in the Internal Compliance Survey.