

Compliance Audit Report Public Version

Big Brown Power Company, LLC
NERC ID # NCR10217

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

Audit Date: June 15-17, 2010
Audit Location: Texas Regional Entity Office, Austin, TX
Report Date: July 29, 2010
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Big Brown Power Company, LLC (Big Brown) was conducted on June 15-17, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Big Brown's registration as a Generator Owner.

The audit team reviewed the NERC Reliability Standards for the period of time identified in the scope of the audit. The audit team consisted of three representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Big Brown and conducted interviews with Big Brown's personnel to assess compliance with standards applicable to Big Brown at this time.

There were a total of eight (8) reliability standards included in the scope of this audit consisting of sixteen (16) requirements. Based on the information and documentation provided by Big Brown, the audit team found Big Brown to be compliant with thirteen (13) applicable requirements. The audit team determined that three (3) requirements were not applicable to Big Brown.

Big Brown met all of the NERC Standard requirements that were within the scope of this audit. 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.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit and therefore none were reviewed by the audit team.

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 Big Brown's compliance with the requirements of the reliability standards that are applicable to Big Brown based on the Big Brown registered functions included in the scope of this audit.
- Validate compliance with applicable reliability standards from the NERC 2010 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 standards, and review the status of associated mitigation plans.
- Document Big Brown's compliance culture.

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

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 2010 and any others that may be identified by the audit team at the time of the audit applicable to a Generator Owner. The audit was performed by three members of Texas RE.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff for Big Brown Power Company, LLC and therefore none were reviewed by the audit team.]

Note: For the 2010 compliance program, the monitoring period for the compliance audit is six years, based on Big Brown's registration as a Generator Owner, or the period since the registration date if registration was less than six years before the audit date. For some specific requirements, the monitoring periods are specified in individual reliability standards.

The audit team evaluated Big Brown for compliance during the specific period from the January 31, 2008 GO registration date to the June 15, 2010 audit date.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Big Brown prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to Big Brown. Big Brown 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. Big Brown had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants with no objections. There were no denials of access or access limitations placed upon the audit team by Big Brown.

2.3 Methodology

Once an audit date was set by Texas RE, Big Brown was sent a Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards.

The audit team reviewed the completed RSAWs, information, data, and evidence submitted by Big Brown and assessed compliance with requirements of the applicable reliability standards. Initial submittal of information and data were sent to Texas RE on or before the scheduled due date for the submittal. Additional information relevant to the audit could be requested by Texas RE and submitted by Big Brown until the last day of the audit.

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with Big Brown's management and supervisors. The audit team reviewed documentation provided by Big Brown that included data, information and evidence submitted in the form of policies, procedures, emails, 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 Electrical System (BES).

The Texas RE audit team interviewed operations, IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by Big Brown and verify documentation.

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.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE’s compliance staff for Big Brown Power Company, LLC and therefore none were reviewed by the audit team.

The audit team conducted an exit briefing immediately following the audit with Big Brown. The audit team verbally shared its preliminary results with Big Brown’s management.

2.4 Company Profile

Big Brown Power Company, LLC (BBPC), a Texas company, owns the Big Brown Steam Electric Station consisting of two lignite fired generating units, Big Brown 1 and Big Brown 2. The units began service in 1971 and 1972, respectively. The Big Brown Plant provides approximately 1210 net megawatts (MW) of capacity to the ERCOT grid. These units are expected to run year round.

BBPC is a subsidiary of Luminant Holding Company LLC (LHC), a subsidiary of Energy Future Holdings Corp. Energy Future Holdings Corp. (EFH) is a Dallas-based, privately held energy company with a portfolio of competitive and regulated energy subsidiaries. TXU Energy, Luminant and Oncor, EFH’s primary businesses, serve the high-growth Texas electricity market, which is one of the world’s largest and among the nation’s most successful competitive markets.

Luminant Power refers to the subsidiaries of LHC, including Big Brown Power Company LLC, engaged in electricity generation activities.

2.5 Audit Specifics

Audit Date: June 15-17, 2010
 Audit Location: Texas Regional Entity Office, Austin, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Engr III	Audit Team Leader
Texas RE/Compliance Engr III	Auditor
Texas RE/Compliance Engr II	Auditor

Big Brown’s Audit Participants:

Company	Title
Luminant Power	Generation Compliance Mgr
Luminant Power	Generation Compliance Lead

Company	Title
Luminant Power	Director Generation Compliance
Luminant Power	Dir ERCOT Markets & Reg
Luminant Power	Sr Project Mgr Regulatory
Luminant Power	VP Operations
Luminant Power	BBSES Dir of Generation
Luminant Power	Manager Technical Support
Luminant Power	BBSES Production Manager
Luminant Power	BBSES Production Manager

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Big Brown was compliant with all 2010 actively monitored NERC Standards reviewed at the time of the audit.

The following table is a summary of the auditor's findings for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	NA
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-004-1	R1.	NA
IRO-004-1	R2.	NA
IRO-004-1	R3.	NA
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	NA
IRO-004-1	R6.	NA
IRO-004-1	R7.	NA
PRC-004-1	R1.	NA
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	NA
PRC-017-0	R2.	NA
VAR-002-1.1a	R1.	NA
VAR-002-1.1a	R2.	NA

Reliability Standard	Requirement	Finding
VAR-002-1.1a	R3.	NA
VAR-002-1.1a	R4.	Compliant
VAR-002-1.1a	R5.	Compliant

3.2 Mitigation Plan Findings

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff and therefore none were reviewed by the audit team.

3.3 Conclusion

Big Brown was found compliant with the all the standards that were included in the scope of this audit.

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

3.4. Compliance Culture

Big Brown's compliance culture survey was reviewed by the audit team.

Big Brown falls under the EFH Compliance Program, a proactive senior management agenda designed to oversee and enforce internal compliance with legal, regulatory, and risk management requirements. These requirements are specified in a defined collection of corporate and regulatory policies and procedures known collectively as "the Compliance Program".

The EFH compliance program depends heavily on a specified code of conduct and delegation of authority, and is implemented through corporate training of all employees. For example, the program emphasizes the importance for anonymous reporting of possible violations of regulations when they are observed. Implementation of the overall program is achieved through training and enforcement is achieved through an internal audit activity. The program includes senior management review and independent access to corporate executives.

The EHF Compliance Program description was provided in the audit evidence in the form of responses to specific open-ended survey questions concerning the Big Brown compliance culture. The emphasis of the EHF Compliance Program description was on legal and regulatory compliance. Proactive quality and reliability management aspects were not specifically addressed in the Compliance Program description.

The Big Brown team was consistently cooperative, professional, and open-minded throughout the audit process. They exhibited a willingness to learn from the audit process and to consider how they may apply what they learned to improve their reliability and compliance program. Since Luminant oversees reliability for many facilities in addition to Big Brown, this positive perspective can promote overall grid reliability in broad ways.