

Compliance Audit Report Public Version

Desert Sky Wind Farm, LP NERC ID # NCR04050

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

Audit Date: May 4-6, 2010
Audit Location: Texas Regional Entity Office, Austin, TX
Report Date: June 17, 2010
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Desert Sky Wind Farm, LP (Desert Sky) was conducted on May 4-6, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Desert Sky'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 two (2) representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Desert Sky and conducted interviews with Desert Sky's personnel to assess compliance with standards applicable to Desert Sky at this time.

There were a total of eight (8) reliability standards included in the scope of this audit consisting of twenty six (26) requirements. Based on the information and documentation provided by Desert Sky, the audit team found Desert Sky to be compliant with Fourteen (14) applicable requirements. The audit team determined that twelve (12) requirements were not applicable to Desert Sky.

Desert Sky 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 Desert Sky's compliance with the requirements of the reliability standards that are applicable to Desert Sky based on the Desert Sky 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 Desert Sky'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 two (2) 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 Desert Sky Wind Farm, LP and therefore none was reviewed by the audit team.

Note: For the 2010 compliance program, the monitoring period for the compliance audit will generally be the last six years based the Desert Sky's registration as a Generator Owner, or periods specified in individual reliability standards.

At the time of the audit, Desert Sky was registered as a Generator Owner. The audit team evaluated Desert Sky for compliance during the specific period of June 18, 2007 to May 4, 2010.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, Desert Sky 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 Desert Sky 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 Desert Sky until the last day of the review at the audit site.

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with Desert Sky's management and supervisors. The audit team reviewed documentation provided by Desert Sky 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 Desert Sky 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 Desert Sky Wind Farm, LP and therefore none was reviewed by the audit team.

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

2.4 Company Profile

The Desert Sky Wind Farm, LP is a 160.5-megawatt (160,500-kilowatt) wind power generation facility located near the far West Texas town of Iraan, in Pecos County. The site includes 107 Turbines, spread over a 15-square-mile area on Indian Mesa.

2.5 Audit Specifics

Audit Date: May 4-6, 2010
Audit Location: Texas Regional Entity Office, Austin, TX

Texas RE Audit Team:

Company/Title
Texas RE/Audit Team Leader
Texas RE/Auditor

Desert Sky’s Audit Participants:

Company/Title
American Electric Power Wind Farm Operations Mgr
American Electric Power Wind Farm Operations Mgr
American Electric Power Manager – Generation & Electrical Interconnection Planning
American Electric Power Senior Engineer
American Electric Power Engineer
American Electric Power Engineer
American Electric Power Manager-Regional Engineering Services
American Electric Power

Company/Title
Manager-Regional Engineering Services
American Electric Power
Manager-Regional Engineering Services

3.0 AUDIT RESULTS

3.1 Audit Findings

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

Desert Sky was found compliant with all other requirements and standards that were included in the scope of this 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.	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-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
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
VAR-002-1.1a	R1.	N/A
VAR-002-1.1a	R2.	N/A
VAR-002-1.1a	R3.	N/A
VAR-002-1.1a	R4.	Compliant

Reliability Standard	Requirement	Finding
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

Desert Sky 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

Desert Sky's compliance culture survey was reviewed by the audit team.

Desert Sky was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of Desert Sky, the extensive participation during the audit by Desert Sky's personnel, the responses provided to the compliance culture survey confirmed a strong commitment by Desert Sky to promote a healthy compliance culture within organization. The compliance manager's efforts for this audit were extremely helpful and were well supported by the other Desert Sky managers and SME's who prepared and participated during the audit process.

Additional detailed information pertaining to the compliance culture of Desert Sky can be found in the Internal Compliance Survey.