

Compliance Audit Report Public Version

Formosa Utility Venture, Ltd.

NERC ID # NCR04059

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: October 19-25, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: January 3, 2011
Prepared By: Rick Gillean, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Formosa Utility Venture, Ltd. (Formosa) was conducted on October 19-25, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Formosa's registration as a Generator Owner and Generator Operator.

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 Formosa and conducted interviews with Formosa's personnel to assess compliance with standards applicable to Formosa at this time.

There were a total of sixteen (16) reliability standards included in the scope of this audit consisting of ninety five (95) requirements. Based on the information and documentation provided by Formosa, the audit team found Formosa to be compliant with thirty nine (39) applicable requirements. The audit team determined that fifty six (56) requirements were not applicable to Formosa.

Formosa 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 Formosa's compliance with the requirements of the reliability standards that are applicable to Formosa based on the Formosa 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 Formosa's compliance culture.

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

- monitoring applicable regional standards or other NERC standards outside the 2010 implementation plan

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 and Generator Operator. 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 Formosa Utility Venture, Ltd. and therefore none were 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 Formosa's registration as a Generator Owner and Generator Operator, or periods specified in individual reliability standards.

At the time of the audit, Formosa was registered as a Generator Owner and Generator Operator. The audit team evaluated Formosa for compliance during the specific period of June 18, 2007 to October 19, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Formosa prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to Formosa. Formosa 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. Formosa 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 Formosa.

2.3 Methodology

Once an audit date was set by Texas RE, Formosa 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 Formosa 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 Formosa 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 Formosa's management and supervisors. The audit team reviewed documentation provided by Formosa 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 Formosa 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 Formosa Utility Venture, Ltd. and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Formosa Utility Venture Limited (FUV) is a limited partnership company that was formed in 1992 in order to provide electricity, steam and water services to the new processing plants located at the Formosa Plastics Point Comfort complex in Point Comfort, TX. Formosa is interconnected to the AEP 138kV substation located at the Point Comfort plant site.

FUV is registered with (North American Electric Reliability Corporation) NERC as GO, GOP, and LSE.

FUV owns and operates 6 Frame 7 Gas Turbines, 1 Frame 6 Gas Turbine and 3 Steam Turbines, for a total of 10 generation units. FUV has a total on peak generating capacity of ~602MW. The total peak season electrical load for 14 plants plus FUV's own load is ~540MW.

2.5 Audit Specifics

Audit Date: October 19-25, 2010
Audit Location: Texas Regional Entity Office, Austin, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Engineer III	Audit Team Leader
Texas RE/Compliance Analyst III	Auditor
Texas RE/Compliance Engineer I	Auditor

Formosa's Audit Participants:

Company	Title
Formosa Utility Venture, Ltd.	Staff Manager
Formosa Utility Venture, Ltd	Senior Process Engineer
Formosa Utility Venture, Ltd	Engineering Staff
Formosa Utility Venture, Ltd	Engineering Staff
Formosa Plastic Corporation	Electrical Maintenance Director
Formosa Plastic Corporation	Electrical Maintenance Engineering Staff
Formosa Plastic Corporation	Health & Safety Specialist
Mpower2 Energy	Partner
Mpower2 Energy	Partner

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Formosa 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
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
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

Reliability Standard	Requirement	Finding
FAC-009-1	R2.	Compliant
IRO-001-1.1	R1.	N/A
IRO-001-1.1	R2.	N/A
IRO-001-1.1	R3.	N/A
IRO-001-1.1	R4.	N/A
IRO-001-1.1	R5.	N/A
IRO-001-1.1	R6.	N/A
IRO-001-1.1	R7.	N/A
IRO-001-1.1	R8.	Compliant
IRO-001-1.1	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.	Compliance
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-2	R1.	N/A
IRO-005-2	R2.	N/A
IRO-005-2	R3.	N/A
IRO-005-2	R4.	N/A
IRO-005-2	R5.	N/A
IRO-005-2	R6.	N/A
IRO-005-2	R7.	N/A
IRO-005-2	R8.	N/A
IRO-005-2	R9.	N/A
IRO-005-2	R10.	N/A
IRO-005-2	R11.	N/A
IRO-005-2	R12.	N/A
IRO-005-2	R13.	Compliant
IRO-005-2	R14.	N/A
IRO-005-2	R15.	N/A
IRO-005-2	R16.	N/A
IRO-005-2	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
PRC-004-1	R1.	N/A

Reliability Standard	Requirement	Finding
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
TOP-001-1	R1.	N/A
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
VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R3.	Compliant
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

Formosa 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.

The possible alleged violation along with this compliance report will be provided to Texas RE's compliance staff for processing through the NERC CMEP. Any further actions related to possible alleged violations will be through that process.

3.4. Compliance Culture

Formosa's compliance culture survey was reviewed by the audit team. Formosa was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of Formosa, the extensive participation during the audit by Formosa's personnel, the responses provided to the compliance culture survey, the: detailed documentation of procedures and records, the internal self-audits, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by Formosa to promote a healthy compliance culture within organization. The Staff Manager's efforts for this audit were extremely helpful and were well supported by the other Formosa managers and SME's who prepared and participated during the audit process.

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