

Compliance Audit Report Public Version

Oak Grove Management Company, LLC
NERC ID # NCR00542

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

Audit Date: April 27 - 29, 2010
Audit Location: Texas Regional Entity Office, Austin, TX
Report Date: June 28, 2010
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TABLE OF CONTENTS

1.0	Executive Summary	3
2.0	Audit Process.....	3
2.1	Objectives	3
2.2	Scope.....	4
2.3	Methodology	4
2.4	Company Profile	5
2.5	Audit Specifics	5
3.0	Audit Results.....	6
3.1	Audit Findings	6
3.2	Mitigation Plan Findings.....	7
3.3	Conclusion	7
3.4	Compliance Culture	7

1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Oak Grove Management Company, LLC (OGMC) was conducted on April 27-29, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on OGMC'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 representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by OGMC and conducted interviews with OGMC's personnel to assess compliance with standards applicable to OGMC at this time.

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

OGMC 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.

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 OGMC's compliance with the requirements of the reliability standards that are applicable to OGMC based on the OGMC 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 OGMC'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 members of Texas RE.

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

At the time of the audit, OGMC was registered as a Generator Owner. The audit team evaluated OGMC for compliance during the specific period of August 14, 2008 to April 27, 2010.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, OGMC 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 OGMC 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 OGMC 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 OGMC's management and supervisors. The audit team reviewed documentation provided by OGMC 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 OGMC 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.

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

2.4 Company Profile

Oak Grove Management Company LLC (OGMC), a Texas company, owns the Oak Grove Steam Electric Station consisting of two lignite fired generating units, Oak Grove 1 and Oak Grove 2. Oak Grove 1 was initially synchronized to the grid in August 2009. Oak Grove 1 is still in the commissioning and testing process and is not expected to be released for dispatch by the Balancing Authority (ERCOT) until April, 2010. Oak Grove 2 was initially synchronized to the grid in January 2010. Oak Grove 2 is still in the commissioning and testing phase and is not expected to be released for dispatch by the Balancing Authority (ERCOT) until August, 2010. The Oak Grove Plant will provide approximately 1581 net megawatts (MW) of capacity to the ERCOT grid. These units are expected to run year round.

OGMC 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 Oak Grove Management Company LLC, engaged in electricity generation activities.

2.5 Audit Specifics

Audit Date: April 27 - 29, 2010
Audit Location: Texas Regional Entity Office, Austin, TX

Texas RE Audit Team:

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

OGMC’s Audit Participants:

Company/Title
Director of Generation
VP Operational Readiness and Technology
Production Manager

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that OGMC 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.	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
PRC-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
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

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

There were no mitigation plans within the scope of this audit and therefore none were reviewed by the audit team.

3.4. Compliance Culture

OGMC's compliance culture survey was reviewed by the audit team. OGMC was cooperative with the audit team's needs and information requests throughout the entire audit process. OGMC's efforts for this audit were extremely helpful and were well supported by the other OGMC managers and SME's who prepared and participated during the audit process.