

Compliance Audit Report Public Version

Optim Energy Altura Cogen, LLC
NERC ID # NCR10072

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: June 8-11, 2010
Audit Location: Optim Energy Altura Cogen, LLC Office, Irving, TX
Report Date: August 12, 2010
Prepared By: Frank Vick, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of Optim Energy Altura Cogen, LLC (Optim Altura) was conducted on June 8-11, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Optim Altura'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 four (4) representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Optim Altura and conducted interviews with Optim Altura's personnel to assess compliance with standards applicable to Optim Altura 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 Optim Altura, the audit team found Optim Altura to be compliant with fourteen (14) applicable requirements. The audit team determined that twelve (12) requirements were not applicable to Optim Altura.

Optim Altura 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 Optim Altura's compliance with the requirements of the reliability standards that are applicable to Optim Altura based on the Optim Altura 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 Optim Altura'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 four (4) 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 Optim Energy Altura Cogen, LLC 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 Optim Altura's registration as a Generator Owner, or periods specified in individual reliability standards.

At the time of the audit, Optim Altura was registered as a Generator Owner. The audit team evaluated Optim Altura for compliance during the specific period of Optim Altura's last audit on August 14, 2008 to June 8, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Optim Altura prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to Optim Altura. Optim Altura 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. Optim Altura did submit one objection by the stated fifteen day objection due date and the audit team member objected to, did not participate in the audit. There have been no denials of or access limitations placed upon this audit team by Optim Altura.

2.3 Methodology

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

Texas RE audit team interviewed operations personnel and reviewed documents to substantiate that the operations personnel were trained and capable of following the procedures to ensure reliable operations from that entity. The audit team also interviewed IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by Optim Altura 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 Optim Energy Altura Cogen, LLC and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Optim Energy, LLC (“Optim Energy”) acquired Optim Altura on August 1, 2007. Optim Altura owns a natural gas-fueled cogeneration plant that sells steam and electricity to Lyondell Chemical Company and sells electricity, including Ancillary Services, to counterparties in the ERCOT wholesale market. Optim Energy, through its ownership of Optim Altura, continues to own 100% of this plant.

Additionally, Optim Energy, through various subsidiaries, owns and operates other owned and co-owned generation assets in ERCOT, and conducts wholesale marketing and trading services to optimize such assets.

2.5 Audit Specifics

Audit Date: June 8-11, 2010
Audit Location: Optim Altura Office, Irving, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Analyst III	Audit Team Leader
Texas RE/Sr. Regional Planning Assessment Engineer	Auditor
Texas RE/Compliance Engineer II	Auditor
Texas RE/Compliance Engineer I	Auditor

Optim Altura’s Audit Participants:

Company	Title
Optim Energy	Compliance Manager

Company	Title
Optim Energy	Manager, Sys. Ops.
Optim Energy	Executive Director, R.T. Ops.
Optim Energy	Senior Vice President, Com. Ops.
Optim Energy	Director, Contracts
ICF International	Manager, Regulatory Compliance
Optim Energy	Senior R.T. Trader
Optim Energy	V.P., General Council & Chief Compliance Officer
Optim Energy	Senior R.T. Trader
Optim Energy	Senior Vice President, Ops.
Optim Energy	Director, Asset Management

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Optim Altura 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
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

Reliability Standard	Requirement	Finding
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

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

3.4. Compliance Culture

Optim Altura's compliance culture survey was reviewed by the audit team.

Optim Altura was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of Optim Altura, the extensive participation during the audit by Optim Altura's personnel, the responses provided to the compliance culture survey, the detailed documentation of procedures and records, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by Optim Altura 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 Optim Altura managers and SME's who prepared and participated during the audit process.

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