

Compliance Audit Report Public Version

Power Resources, Ltd.

NERC ID # NCR04112

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: September 21-23, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: November 18, 2010
Prepared By: Rick Gillean, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Power Resources, Ltd. (Power Resources) was conducted on September 21-23, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Power Resources'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 Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by Power Resources and conducted interviews with Power Resources's personnel to assess compliance with standards applicable to Power Resources at this time.

There were a total of seventeen reliability standards included in the scope of this audit consisting of one hundred and four requirements. Based on the information and documentation provided by Power Resources, Ltd, the audit team found Power Resources to be compliant with thirty nine applicable requirements. The audit team determined that sixty five requirements were not applicable to Power Resources.

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

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

- Document Power Resources's compliance culture.
- Monitoring applicable regional standards.

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 Power Resources, 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 Power Resources's registration as a Generator Owner and Generator Operator, or periods specified in individual reliability standards.

At the time of the audit, Power Resources, Ltd was registered as a Generator Owner. The audit team evaluated Power Resources for compliance during the specific period of June 18, 2007 to September 21, 2010 as a GO and September 30, 2008 to January 01, 2010 as a GOP. Power Resources, Ltd was represented as a GOP by another QSE between June 18, 2007 and September 30, 2008 and January 01, 2010.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, Power Resources 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 Power Resources 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 Power Resources 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 Power Resources's management and supervisors. The audit team reviewed documentation provided by Power Resources 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 Power Resources 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 Power Resources LTD and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Power Resources, Ltd. owns the physical assets of the power plant. Power Resources Limited is a partner of the Falcon Power Operating Company. Power Resources Limited partners are owned directly or indirectly by CE Generation, LLC which is owned equally by MidAmerican energy Holdings Company and TransAlta USA, Inc. The power plant is operated by Falcon Power Operating Company pursuant to an operating agreement. Administrative support is provided by MidAmerican Energy Holdings Company, pursuant to a service agreement. Steve Larsen is the President of CE Generation, LLC, Falcon Power Operating Company and all of the Power Resources Limited partners.

2.5 Audit Specifics

Audit Date: September 21-23, 2010
 Audit Location: Texas Reliability 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/ Manager Reliability Standards	Auditor

Power Resources's Audit Participants:

Company	Title
Power Resources, Ltd	General Manager
Power Resources, Ltd	Operations Manager
CalEnergy	Operating Corporation Compliance Manager
Power Resources, Ltd	I&E Technician
Power Resources, Ltd	Safety/Environmental Coordinator

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Power Resources 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-001-1.1	R1.	Compliant
COM-001-1.1	R2.	N/A
COM-001-1.1	R3.	N/A
COM-001-1.1	R4.	N/A
COM-001-1.1	R5.	N/A

Reliability Standard	Requirement	Finding
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
EOP-002-2	R1.	N/A
EOP-002-2	R2.	N/A
EOP-002-2	R3.	N/A
EOP-002-2	R4.	N/A
EOP-002-2	R5.	N/A
EOP-002-2	R6.	N/A
EOP-002-2	R7.	N/A
EOP-002-2	R8.	N/A
EOP-002-2	R9.	N/A
EOP-003-1	R1.	N/A
EOP-003-1	R2.	N/A
EOP-003-1	R3.	N/A
EOP-003-1	R4.	N/A
EOP-003-1	R5.	N/A
EOP-003-1	R6.	N/A
EOP-003-1	R7.	N/A
EOP-003-1	R8.	N/A
EOP-005-1	R1.	N/A
EOP-005-1	R2.	N/A
EOP-005-1	R3.	N/A
EOP-005-1	R4.	N/A

Reliability Standard	Requirement	Finding
EOP-005-1	R5.	N/A
EOP-005-1	R6.	N/A
EOP-005-1	R7.	N/A
EOP-005-1	R8.	N/A
EOP-005-1	R9.	N/A
EOP-008-0	R1.	N/A
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
FAC-001-0	R1.	N/A
FAC-001-0	R2.	N/A
FAC-001-0	R3.	N/A
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
FAC-003-1	R1.	N/A
FAC-003-1	R2.	N/A
FAC-003-1	R3.	N/A
FAC-003-1	R4.	N/A
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant

Reliability Standard	Requirement	Finding
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
FAC-014-2	R1.	N/A
FAC-014-2	R2.	N/A
FAC-014-2	R3.	N/A
FAC-014-2	R4.	N/A
FAC-014-2	R5.	N/A
FAC-014-2	R6.	N/A
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-002-1	R1.	N/A
IRO-002-1	R2.	N/A

Reliability Standard	Requirement	Finding
IRO-002-1	R3.	N/A
IRO-002-1	R4.	N/A
IRO-002-1	R5.	N/A
IRO-002-1	R6.	N/A
IRO-002-1	R7.	N/A
IRO-002-1	R8.	N/A
IRO-002-1	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.	Compliant
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

Reliability Standard	Requirement	Finding
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
IRO-006-4	R1.	N/A
IRO-006-4	R2.	N/A
IRO-006-4	R3.	N/A
IRO-006-4	R4.	N/A
IRO-006-4	R5.	N/A
PER-001-0	R1.	N/A
PER-002-0	R1.	N/A
PER-002-0	R2.	N/A
PER-002-0	R3.	N/A
PER-002-0	R4.	N/A
PER-003-0	R1.	N/A
PER-004-1	R1.	N/A
PER-004-1	R2.	N/A
PER-004-1	R3.	N/A

Reliability Standard	Requirement	Finding
PER-004-1	R4.	N/A
PER-004-1	R5.	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
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
PRC-010-0	R1.	N/A
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A

Reliability Standard	Requirement	Finding
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

Reliability Standard	Requirement	Finding
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
TOP-006-1	R1.	N/A
TOP-006-1	R2.	N/A
TOP-006-1	R3.	N/A
TOP-006-1	R4.	N/A
TOP-006-1	R5.	N/A
TOP-006-1	R6.	N/A
TOP-006-1	R7.	N/A
TOP-007-0	R1.	N/A
TOP-007-0	R2.	N/A
TOP-007-0	R3.	N/A
TOP-007-0	R4.	N/A
TOP-008-1	R1.	N/A
TOP-008-1	R2.	N/A
TOP-008-1	R3.	N/A
TOP-008-1	R4.	N/A
TPL-001-0.1	R1.	N/A
TPL-001-0.1	R2.	N/A
TPL-001-0.1	R3.	N/A
TPL-002-0	R1.	N/A
TPL-002-0	R2.	N/A
TPL-002-0	R3.	N/A
TPL-003-0	R1.	N/A
TPL-003-0	R2.	N/A
TPL-003-0	R3.	N/A
VAR-001-1	R1.	N/A
VAR-001-1	R2.	N/A

Reliability Standard	Requirement	Finding
VAR-001-1	R3.	N/A
VAR-001-1	R4.	N/A
VAR-001-1	R5.	N/A
VAR-001-1	R6.	N/A
VAR-001-1	R7.	N/A
VAR-001-1	R8.	N/A
VAR-001-1	R9.	N/A
VAR-001-1	R10.	N/A
VAR-001-1	R11.	N/A
VAR-001-1	R12.	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
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

Power Resources 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

Power Resources's compliance culture survey was reviewed by the audit team.

Power Resources was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of Power Resources, the extensive participation during the audit by Power Resources'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 Power Resources, Ltd to promote a healthy compliance culture within organization. The General Manager's efforts for this audit were extremely helpful and were well supported by the

other Power Resources managers and SME's who prepared and participated during the audit process.

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