



# **Compliance Audit Report Public Version**

**Alcoa Power Marketing LLC**  
NERC ID# NCR01170

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

**Date of Audit: April 7, 2010**

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## Executive Summary

A multi-regional compliance audit of Alcoa Power Marketing LLC (APM LLC), NERC ID # - NCR01170 was conducted on April 7, 2010. At the time of the audit, APM LLC was registered for the Purchasing-Selling Entity (PSE) function that it performs in ReliabilityFirst Corporation (RFC) and Southeast Reliability Corporation (SERC) reliability regions.

The audit team evaluated APM LLC for compliance with three (3) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period of June 18, 2007 to April 7, 2010. APM LLC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by APM LLC to assess compliance with standards applicable to APM LLC at this time.

Based on the information and documentation provided by APM LLC, the audit team found APM LLC to be compliant with three (3) applicable requirements. The audit team determined that all requirements were applicable to APM LLC and did not identify any violations as a result of this review.

There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

## **Audit Process**

The compliance audit process steps are detailed in the *ReliabilityFirst* CMEP. The *ReliabilityFirst* CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

### ***Objectives***

All Registered Entities are subject to an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.\* The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to APM LLC, based on the functions that APM LLC is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by *ReliabilityFirst*;
- Validate compliance with applicable regional standards from the *ReliabilityFirst* 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document APM LLC's compliance program and culture;
- Review the status of mitigation plans.

### ***Scope***

The scope of the compliance audit included the NERC Reliability Standards from the *ReliabilityFirst* 2010 Implementation Plan. In addition, this audit included any self-reports, self-certifications, outstanding mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, APM LLC was registered for the Purchasing-Selling Entity (PSE) function. The audit team evaluated APM LLC for compliance during the period of June 18, 2007 to April 7, 2010.

### ***Confidentiality and Conflict of Interest***

Confidentiality and conflict of interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. APM LLC was informed of *ReliabilityFirst*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to APM LLC. APM LLC was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. APM LLC had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member

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\* North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

participants without objection. There have been no denials of or access limitations placed upon this audit team by APM LLC.

### ***Methodology***

The audit team reviewed the information, data, and evidence submitted by APM LLC and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was due forty (40) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team evaluated all evidence of compliance for sufficiency and appropriateness, according to the Generally Accepted Government Auditing Standards.

The audit team reviewed documentation provided by APM LLC. Data, information and evidence submitted in the form of policies, procedures, e-mails, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate.

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All finding were developed based upon the consensus of the audit team.

### ***Company Profile***

**Alcoa Power Marketing LLC (APM LLC) is a wholly-owned subsidiary of Alcoa Power Generating Inc. which is a wholly-owned subsidiary of Alcoa Inc. Alcoa Inc. is a worldwide producer of primary aluminum and fabricated aluminum products. APM LLC operates as a power marketer, purchasing or selling blocks of power for the benefit of Alcoa's industrial operations. APM LLC is also authorized to sell at market-based rates.**

### ***Audit Participants***

The following is a listing of all personnel from the Audit Team and APM LLC who were present during the meetings or interviews. Although SERC staff did not actively participate in the audit, they will be provided a copy of the final audit report.

#### **Audit Team Participants**

<b>Audit Team Role</b>	<b>Title</b>	<b>Entity</b>
Audit Team Lead	Sr. Consultant	ReliabilityFirst Corp.
Audit Team Member	Sr. Engineer	ReliabilityFirst Corp.

### APM LLC Audit Participants

<b>Title</b>	<b>Entity</b>
President	Alcoa Power Marketing LLC
Supv. Trading & Origination	Alcoa Power Marketing LLC

### Audit Results

The audit team evaluated APM LLC for compliance with three (3) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to April 7, 2010. APM LLC submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by APM LLC to assess compliance with standards applicable to APM LLC at this time.

Based on the information and documentation provided by APM LLC, the audit team found APM LLC to be compliant with three (3) applicable requirements. The audit team determined that all requirements were applicable to APM LLC and did not identify any violations as a result of this review.

### Findings

The following table lists the findings for the scope of the standards identified for this audit.

<b>Reliability Std</b>	<b>Requirement</b>	<b>Finding</b>
IRO-001-1.1	R8	Compliant
IRO-005-2	R13	Compliant
VAR-001-1	R5	Compliant

### Compliance Culture

APM LLC's compliance culture was reviewed by the audit team.

APM LLC has a NERC Compliance Program within their FERC Corporate Compliance Plan. The plan is regularly reviewed with assistance from external legal counsel to keep APM LLC advised of developments at FERC and NERC that may impact APM LLC. Employees are trained on this Plan and received annual updates via online training modules and meetings with APM LLC's Chief Compliance Officer (CCO), who is not an employee of APM LLC. The CCO position also receives oversight from the Alcoa Inc. Corporate Compliance group.

Compliance training is developed, administered, and monitored by this compliance group, not Alcoa Power Generating Inc. (APGI) or Alcoa Power Marketing LLC. Corporate Internal audits verify that all training is completed as part of the annual audit.

Alcoa Inc. audits the PSE function as part of an annual audit of their Trading group. APM LLC receives an annual audit and may receive an additional unannounced audit each year. As part of the annual audit, the Trading group must have an on-going monitoring of adherence to program documented throughout the year. The Trading groups policy and procedures, which are a part of the audit, contain the mandate of adherence to reliability directives and references resources to keep abreast of directives. The corporate compliance program is periodically reviewed, but doesn't undergo a formal audit.

APM LLC conducts annual internal audits of compliance with NERC standards, review of compliance registry requirements, self-reporting of any possible violations, and submission of any mitigation plans. APM LLC employees have corporate direction of compliance with NERC standards and are to report possible violations through management or via an anonymous hotline. Any APM LLC employee that knowingly or repeatedly violates these standards or hinders the investigation is subject to disciplinary action up to and including termination.

The APM LLC Supervisor, Trading and Origination served as the primary contact for all compliance-related data and information requests throughout the off-site audit. All evidence was submitted in a timely manner and formatted according to Reliability *First* recommendations. The President of APM LLC was also involved in both the pre-audit discussions related to the overall audit process, and the audit briefing where the preliminary findings were presented and discussed.