



Compliance Audit Report Public Version

Handsome Lake Energy, LLC
NERC ID# NCR00793

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

Date of Audit: April 05 - April 16, 2010

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Executive Summary

A compliance audit of Handsome Lake Energy, LLC (HLE), NERC ID # - NCR00793 was conducted from April 05 - April 16, 2010. At the time of the audit, HLE was registered for the Generator Operator (GOP) and Generator Owner (GO) functions.

The audit team evaluated HLE for compliance with forty-four (44) 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 16, 2010. HLE submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by HLE to assess compliance with standards applicable to HLE at this time.

Based on the information and documentation provided by HLE, the audit team found HLE to be compliant with forty-three (43) applicable requirements. The audit team determined that one (1) requirement was not applicable to HLE. The audit team identified zero (0) Possible Violations.

The audit team evaluated HLE for compliance with five (5) Reliability*First* Requirements. The audit team determined that all evaluated Reliability*First* Requirements were not applicable to HLE.

Any Possible Violations will be processed through the NERC and Reliability*First* CMEP.

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 HLE, based on the functions that HLE 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 HLE'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, HLE was registered for the functions Generator Operator (GOP) and Generator Owner (GO). The audit team evaluated HLE for compliance during the period of June 18, 2007 to April 16, 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. HLE was informed of *ReliabilityFirst*'s obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to HLE. HLE was given an opportunity to object to an audit team member's participation on the basis of a possible

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

conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. HLE had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by HLE.

Methodology

The audit team reviewed the information, data, and evidence submitted by HLE and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data was due thirty (30) 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 HLE. Data, information and evidence submitted in the form of policies, procedures, e-mails, 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 Electric System (BES).

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

HLE is a subsidiary of Constellation Power Generation (CPG) and CPG is the fossil and renewable energy arm of Constellation Energy's generation business. Handsome Lake Energy, LLC is located in Kennerdell, PA, which is about 75 miles north of Pittsburgh. Handsome Lake is a 300 MW facility (nameplate).

Audit Participants

The following is a listing of all personnel from the Audit Team and HLE who were present during the meetings or interviews.

Audit Team Participants

Audit Team Role	Title	Entity
Audit Team Lead	Senior Engineer	ReliabilityFirst
Audit Team Member	Engineer	ReliabilityFirst

HLE Audit Participants

Title	Entity
O&M Technician	Handsome Lake Energy
Manager, NERC Compliance	Constellation
Manager, NERC Compliance	Constellation
Plant Manager	Handsome Lake Energy

Audit Results

The audit team evaluated HLE for compliance with forty-four (44) 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 16, 2010. HLE submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by HLE to assess compliance with standards applicable to HLE at this time.

Based on the information and documentation provided by HLE, the audit team found HLE to be compliant with forty-three (43) applicable requirements. The audit team determined that one (1) requirement was not applicable to HLE. The audit team identified zero (0) Possible Violations.

The audit team evaluated HLE for compliance with five (5) ReliabilityFirst Requirements. The audit team determined that all evaluated ReliabilityFirst Requirements were not applicable to HLE.

Findings

The following table details the findings for compliance for the scope identified for this audit.

Reliability Std	Req.	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
FAC-002-0	R1.	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-001-1.1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-2	R13.	Compliant
NUC-001-1	R3.	Compliant
NUC-001-1	R4.	Compliant
NUC-001-1	R5.	Compliant
NUC-001-1	R6.	Compliant
NUC-001-1	R7.	Compliant
NUC-001-1	R8.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R2.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	Not Applicable
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-003-0	R1.	Compliant

TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
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
EOP-007-RFC-01	R4.	Not Applicable
PRC-002-RFC-01	R1.	Not Applicable
PRC-002-RFC-01	R2.	Not Applicable
PRC-002-RFC-01	R3.	Not Applicable
PRC-002-RFC-01	R4.	Not Applicable

Compliance Culture

HLE's compliance culture was reviewed by the audit team.

Handsome Lake Energy, LLC is a subsidiary of Constellation Power Generation (CPG) and is governed by compliance policies enunciated by CPG. The CPG NERC Compliance Manager, the Manager, CPG NERC Compliance and HLE Plant's NERC Representative work together to develop and oversee HLE's compliance program. The CPG NERC Compliance Manager visits the plant at a minimum, quarterly, to conduct onsite NERC training with the operators as well as review their compliance program with the Plant Manager. HLE conducts compliance adherence training on all applicable NERC Reliability Standards annually. Additionally, they conduct a separate training for CIP-001-Sabotage Reporting.

The Reliability Compliance Manager has direct access to the President CPG for all matters related to NERC and NERC program compliance. CPG Senior Management participates in the compliance program through the use of internal health metrics reports and routine executive level updates on NERC Compliance issues.

HLE's compliance program includes self-assessment and self-enforcement of internal controls to prevent reoccurrence of violations. HLE has conducted an external audit in 2008 and in 2010. HLE also states they carry out periodic internal assessments on its compliance program. HLE states they proactively work with and conduct training as necessary to mitigate compliance violations.