



**Compliance Audit Report  
Confidential Public Version**

**Mirant Potrero, LLC  
NCR05240**

**Confidential Information (including Privileged and Critical Energy Infrastructure Information) has been removed**

**Date of Audit: September 14, 2010**

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## Executive Summary

The Western Electricity Coordinating Council (WECC) performed a compliance audit of Mirant Potrero, LLC NERC ID NCR05240 on September 14, 2010. At the time of the audit, MIPO was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Generator Operator  
Generator Owner

The Audit Team evaluated MIPO for compliance with ninety (90) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP). Additionally two (02) requirements in the WECC Regional Reliability Standards were audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to September 14, 2010. MIPO submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by MIPO to assess compliance with standards applicable to MIPO at this time.

Based on the information and documentation provided by MIPO, the Audit Team found MIPO to be compliant with thirty-seven (37) applicable requirements. The Audit Team determined that fifty-three (53) requirements were not applicable to MIPO. MIPO had zero (0) Outstanding Violations. The Audit Team also found MIPO compliant with two (02) Requirements in the WECC Regional Reliability Standards audited. The Audit Team identified zero (0) New Possible Violations.

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, and Applicable Regional Reliability Standards, within the scope of the compliance audit. Any Possible Violations will be processed through the NERC and WECC CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team. Any Possible Violations were processed through the NERC and WECC CMEP. Link(s) to the NOP(s) are provided as follows:

The WECC audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).\*

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\* This statement replaces the Regional Entity Self-Certification process.

## **Audit Process**

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

## **Objectives**

A Registered Entity is subject to audit for compliance with all Reliability Standards applicable to its registered functions.

The audit objectives are to:

- Review compliance with the requirements of Reliability Standards that are applicable to MIPO, based on the functions that MIPO is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2010 CMEP Implementation Plan list of actively-monitored Reliability Standards and any applicable NERC Reliability Standards selected by WECC;
- Validate compliance with applicable Regional Standards from the WECC 2010 CMEP Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Review the status of mitigation plans.

## **Scope**

The scope of the compliance audit included the NERC Reliability Standards from the WECC CMEP 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, MIPO was registered for the functions Generator Owner and Generator Operator. The Audit Team evaluated MIPO for compliance during the period of June 18, 2007 to September 14, 2010.

WECC notified MIPO of the audit on July 09, 2010. WECC informed MIPO that the Audit Team would perform the audit in accordance with the CMEP and the 2010 NERC Compliance Questionnaire and Reliability Standard Audit Worksheets (RSAW). In preparation for the audit, the Audit Team reviewed the RSAWs and other documents submitted by MIPO to evaluate compliance with each applicable Reliability Standard.

## **Confidentiality and Conflicts of Interest**

Confidentiality and Conflict of Interest of the Audit Team are governed under the WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. MIPO was informed of WECC's obligations and responsibilities under the Delegation Agreement and Rules of Procedure. On July 09, 2010, WECC provided the work history for each Audit Team member to MIPO. MIPO had the opportunity to object to an Audit Team member's participation in the audit on the basis of a possible conflict of interest or because of other circumstances that could interfere with an Audit Team member's impartiality. Section 3.1.5 of the WECC CMEP requires the MIPO to submit any objections no later than fifteen days prior to the start of the audit. MIPO did not submit any objections regarding any Audit Team members. There have been no denials of information or access limitations placed upon this Audit Team by MIPO.

## **Methodology**

The Audit Team reviewed the information, data, and evidence submitted by MIPO and assessed compliance with requirements of the applicable Reliability Standards. Submittals of information and requests for data were sent to MIPO at least thirty days before the scheduled date of the audit. Additional information relevant to the audit could be submitted until the last day of the review at the audit site. After that date, only data or information which was relevant to the content of the report or its findings 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 reviewed documentation provided by MIPO. Data, information and evidence submitted in the form of policies, procedures, emails, logs, data sheets, etc., was validated, substantiated and cross checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set is determined by a statistical methodology augmented with professional judgment to ensure that the sample set is representative of the Requirement's significance to the reliability of the Bulk Electrical System (BES).

Findings were based on the Audit Team's knowledge of the BES, the NERC Reliability Standards and team members' professional judgment. All findings were developed based on the consensus of the Audit Team.

## **Company Profile**

MIPO consists of one power plant located in San Francisco, California. MIPO owns and operates four units with a nameplate rating of 366 MWs. The outputs from these units

are fed into the PG&E system at PG&E's Potrero Substation. MIPO operates as a Generator Owner and Generator Operator. The California Independent System Operator is its Balancing Authority and Transmission Operator.

## Audit Participants

The following is a list of WECC Audit Team members and MIPO personnel who participated in the audit.

### Audit Team Members

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Audit Team Lead	Compliance Engineer	WECC
Member	Consultant	WECC

### MIPO Audit Participants

<b>Title</b>	<b>Company</b>
NERC Compliance Director/Director of Operations	MIPO
NERC Compliance Manager	MIPO
NERC Compliance Administrator	MIPO
NERC Compliance Officer/CA Regional Director	MIPO
NERC Standard Owner/Plant Manager	MIPO

## Audit Results

The Audit Team evaluated MIPO for compliance with ninety (90) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (CMEP IP) covering all applicable registered functions. Additionally two (02) requirements in the WECC Regional Reliability Standards were audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to September 14, 2010. MIPO submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by MIPO to assess compliance with standards applicable to MIPO at this time.

Based on the information and documentation provided by MIPO, the Audit Team found MIPO to be compliant with thirty-seven (37) applicable requirements. The Audit Team determined that fifty-three (53) requirements were not applicable to MIPO. MIPO had

zero (0) Outstanding Violations. The Audit Team also found MIPO compliant with two (02) Requirements in the WECC Regional Reliability Standards audited. The Audit Team identified zero (0) New Possible Violations.

## Findings

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

The Finding column may contain any one of the following: Compliant, New Possible Violation, Not Applicable, Outstanding Violation, Retraction Requested, Self-Reported Violation, or other appropriate description.

<b>Standard</b>	<b>Req.</b>	<b>Finding</b>
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
COM-002-2	R2.	Not Applicable
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	R3.	Not Applicable
IRO-001-1.1	R7.	Not Applicable
IRO-001-1.1	R8.	Compliant
IRO-001-1.1	R9.	Not Applicable
IRO-004-1	R1.	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable
IRO-004-1	R7.	Not Applicable
IRO-005-2	R1.	Not Applicable
IRO-005-2	R2.	Not Applicable
IRO-005-2	R3.	Not Applicable

<b>Standard</b>	<b>Req.</b>	<b>Finding</b>
IRO-005-2	R4.	Not Applicable
IRO-005-2	R5.	Not Applicable
IRO-005-2	R7.	Not Applicable
IRO-005-2	R8.	Not Applicable
IRO-005-2	R9.	Not Applicable
IRO-005-2	R10.	Not Applicable
IRO-005-2	R11.	Not Applicable
IRO-005-2	R12.	Not Applicable
IRO-005-2	R13.	Compliant
IRO-005-2	R14.	Not Applicable
IRO-005-2	R15.	Not Applicable
IRO-005-2	R16.	Not Applicable
IRO-005-2	R17.	Not Applicable
NUC-001-2	R1.	Not Applicable
NUC-001-2	R2.	Not Applicable
NUC-001-2	R3.	Not Applicable
NUC-001-2	R4.	Not Applicable
NUC-001-2	R5.	Not Applicable
NUC-001-2	R6.	Not Applicable
NUC-001-2	R7.	Not Applicable
NUC-001-2	R8.	Not Applicable
NUC-001-2	R9.	Not Applicable
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R4.	Not Applicable
PRC-001-1	R5.	Compliant
PRC-001-1	R6.	Not Applicable
PRC-004-1	R1.	Not Applicable
PRC-004-1	R2.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	Not Applicable
TOP-001-1	R1.	Not Applicable
TOP-001-1	R2.	Not Applicable
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	Not Applicable
TOP-001-1	R5.	Not Applicable

<b>Standard</b>	<b>Req.</b>	<b>Finding</b>
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	Not Applicable
TOP-002-2a	R1.	Not Applicable
TOP-002-2a	R2.	Not Applicable
TOP-002-2a	R3.	Compliant
TOP-002-2a	R4.	Not Applicable
TOP-002-2a	R5.	Not Applicable
TOP-002-2a	R6.	Not Applicable
TOP-002-2a	R11.	Not Applicable
TOP-002-2a	R13.	Compliant
TOP-002-2a	R14.	Compliant
TOP-002-2a	R15.	Compliant
TOP-002-2a	R16.	Not Applicable
TOP-002-2a	R17.	Not Applicable
TOP-002-2a	R18.	Compliant
TOP-002-2a	R19.	Not Applicable
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	Not Applicable
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
VAR-STD-002a-1	WR1.	Compliant
VAR-STD-002b-1	WR1.	Compliant

## **Compliance Culture**

MIPO's compliance culture was not reviewed by the Audit Team.

## **Exit Briefing**

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for MIPO's personnel summarizing the Audit Team's preliminary findings. The Audit Team

leader also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

**In Accordance with WECC CMEP Section 3.1.6:**

WECC provided the draft of this audit report and an Entity Comment Form to MIPO on October 06, 2010 for review and comment. On October 11, 2010, MIPO provided comments. The Entity Comment Form on file in the WECC Compliance Department provides a record of these comments and WECC's consideration of them for inclusion in this final report.

**Management Approval**

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on October 15, 2010.