



# **Compliance Audit Report Public Version**

**Birchwood Power Partners, LP**  
NERC ID # NCR01181

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

**Date of Audit: February 8–10, 2011**

## TABLE OF CONTENTS

Executive Summary .....	3
Audit Process .....	3
Objectives .....	4
Scope.....	4
Confidentiality and Conflict of Interest.....	4
Methodology .....	4
Company Profile .....	5
Audit Participants .....	5
Audit Results.....	6
Findings .....	6
Compliance Culture.....	7

## **Executive Summary**

An on-site compliance audit of Birchwood Power Partners, L.P., (Birchwood) (NCR01181) was conducted from February 8–10, 2011. At the time of the audit, Birchwood was registered for the Generator Owner (GO) and Generator Operator (GOP) functions.

The SERC Reliability Corporation (SERC) audit team evaluated Birchwood for compliance with twenty-six (26) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards for the period beginning June 18, 2007 through February 10, 2011. Birchwood submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Birchwood to assess compliance with standards applicable to Birchwood at this time.

Based on the information and documentation provided by Birchwood, the audit team did not have any findings of non-compliance with twenty-two (22) applicable requirements. The audit team determined that three (3) requirements were not applicable to Birchwood. At the time of the audit, Birchwood had an Open Enforcement Action regarding NERC Reliability Standard FAC-008-1 Requirement 2 that is currently in process, tracking number SERC2010-400881. The audit team did not review Birchwood's mitigation plan for this requirement, because the mitigation plan was recently remanded back to Birchwood.

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 in the scope of the compliance audit.

The SERC 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) with the following exceptions. The SERC audit team did not adhere to the NERC Compliance Checklist or NERC Compliance Auditor Manual regarding Reliability Coordinator Questionnaires due to the fact that SERC Reliability Corporation only sends Reliability Coordinator Questionnaires when auditing entities registered as Balancing Authorities (BA) and Transmission Operators (TOP).

The FAC-008-1 R2 Open Enforcement Action, SERC201000728, was addressed via the Find, Fix and Track Report.

## **Audit Process**

The compliance audit process steps are detailed in the SERC CMEP. The SERC 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.<sup>1</sup> The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to Birchwood, based on the functions that Birchwood is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2011 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by SERC;
- Validate compliance with applicable regional standards from the SERC 2011 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document Birchwood'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 SERC 2011 Implementation Plan. At the time of the audit, Birchwood was registered for the functions GO and GOP. The audit team evaluated Birchwood for the 2011 compliance program. The monitoring period for the compliance audit will generally be the lesser of: 1) date of registration to date of exit presentation; 2) date of last audit or spot check to date of exit presentation; or, 3) June 18, 2007 to date of exit presentation. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

## **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the SERC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. Birchwood was informed of SERC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Birchwood. Birchwood 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. Birchwood had not submitted any objections by the stated 15 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 Birchwood.

## **Methodology**

The audit team reviewed the information, data, and evidence submitted by Birchwood and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SERC 30 days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the last day of the review at the audit site.

---

<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits  
Birchwood Compliance Audit Report  
April 6, 2011  
Page 4 of 7

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 Birchwood. Data, information, and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. 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 findings were developed based upon the consensus of the audit team.

### **Company Profile**

Birchwood Power Partners, L.P. is an Exempt Wholesale Generator engaged in the sale of energy and capacity under a long-term contract with Dominion Virginia Power. The Birchwood facility commenced commercial operations in November 1996 as a 240 MW coal fired facility, located in King George, VA. The plant receives its low-sulfur coal from the Central Appalachians. It is owned jointly by affiliates of GE Energy Financial Services and J-Power Development USA, LTD.

### **Audit Participants**

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

#### **Audit Team Participants**

<b>Title</b>	<b>Entity</b>
Senior Compliance Auditor - ATL	SERC Reliability Corporation
Senior Compliance Auditor	SERC Reliability Corporation
Compliance Auditor	SERC Reliability Corporation

#### **Birchwood Audit Participants**

<b>Title</b>	<b>Entity</b>
Compliance Manager	GE, EFS
E&I Supervisor	Birchwood Power Partners, L.P.
Business Manager	Birchwood Power Partners, L.P.
Portfolio Management, SVP	GE, EFS
Operations Manager	Birchwood Power Partners, L.P.
Facility Manager	Birchwood Power Partners, L.P.
Health & Safety Manager	Birchwood Power Partners, L.P.

## Audit Results

The audit team evaluated Birchwood for compliance with twenty-six (26) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 through February 10, 2011. Birchwood submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Birchwood to assess compliance with standards applicable to Birchwood at this time.

Based on the information and documentation provided by Birchwood, the audit team did not have any findings of non-compliance with twenty-two (22) applicable requirements. The audit team determined that three (3) requirements were not applicable to Birchwood. At the time of the audit, Birchwood had an Open Enforcement Action regarding NERC Reliability Standard FAC-008-1 Requirement 2 that is currently in process, tracking number SERC2010-400881. The audit team did not review Birchwood's mitigation plan for this requirement, because the mitigation plan was recently remanded back to Birchwood.

## Findings

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

Reliability Std.	Req.	Finding
CIP-001-1	R1.	No Finding
CIP-001-1	R2.	No Finding
CIP-001-1	R3.	No Finding
CIP-001-1	R4.	No Finding
COM-002-2	R1.	No Finding
FAC-008-1	R1.	No Finding
FAC-008-1	R2.	Open Enforcement Action
FAC-009-1	R1.	No Finding
FAC-009-1	R2.	No Finding
IRO-004-1	R4.	No Finding
IRO-005-2	R13.	No Finding
PRC-001-1	R1.	No Finding
PRC-001-1	R2.	No Finding
PRC-001-1	R3.	No Finding
PRC-001-1	R5.	No Finding
PRC-004-1	R2.	No Finding
PRC-005-1	R1.	No Finding
PRC-005-1	R2.	No Finding
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-023-1	R1.	N/A
TOP-002-2	R3.	No Finding
TOP-002-2	R18.	No Finding
VAR-002-1.1a	R1.	No Finding
VAR-002-1.1a	R2.	No Finding
VAR-002-1.1a	R3.	No Finding

## **Compliance Culture**

The audit team assessed Birchwood's Internal Compliance Program in conjunction with the audit. Evidence reviewed in assessing the program included: Birchwood's Compliance Pre-Audit Survey, GE Energy Financial Services (EFS), NERC Reliability Standards Internal Compliance Program (ICP), and Birchwood Power Partner's NERC/SERC Compliance Plan documentation, compliance staff organizational charts, interviews with Birchwood staff, and observation of staff responses in preparation for and during the audit.

Four factors that characterize a vigorous and effective compliance program are: active engagement and leadership by a company's senior management; preventive measures appropriate to the individual circumstances of the company; promptly detecting, stopping, and reporting a violation; and, ultimately fixing the problem and working to avoid future possible violations.

SERC recognizes that there isn't one standard formula for an effective compliance program, and that there will be variations in each company's program and culture based on countless factors, including the size and age of the company, as well as the nature and extent of its business. Ultimately what matters are the results and whether the compliance program worked as it should.

The audit team determined that Birchwood's Internal Compliance Program documents, and their staff's demonstrated compliance culture, indicate an effective compliance program.

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