

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



# **Compliance Audit Report Public Version**

**Calpine Corporation**  
NERC ID# NCR00006

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

**Date of Audit: July 19 - 20, 2011**

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## Executive Summary

A compliance audit of Calpine Corporation (CALP), NERC ID # - NCR00006 was conducted from July 19 - 20, 2011. At the time of the audit, CALP was registered for the Generator Owner (GO) function of the Oneta Energy Center (Oneta).

The Audit Team evaluated CALP for compliance with eleven (11) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The Audit Team assessed compliance with the NERC Reliability Standards and applicable Regional Reliability Standards for the period of March 3, 2008 to July 20, 2011. CALP submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by CALP to assess compliance with standards applicable to CALP at this time.

Based on the information and documentation provided by CALP, the Audit Team found CALP to have no findings of non-compliance with eight (8) applicable requirements. The Audit Team determined that three (3) requirements were not applicable to CALP. The Audit Team identified zero (0) Possible Violation(s).

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 Southwest Power Pool Regional Entity (SPP RE) CMEP. The following is a link to the general NOP page located on the NERC public website: <http://www.nerc.com/filez/enforcement/index.html>.

The SPP RE 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).\*

## Audit Process

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

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

### ***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>†</sup> The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to CALP, based on the functions that CALP 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 SPP RE;
- Validate compliance with applicable regional standards from the SPP RE 2011 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document CALP's compliance program and culture; and
- Review the status of mitigation plans.

### ***Scope***

The scope of the compliance audit included the NERC Reliability Standards from the SPP RE 2011 Implementation Plan. In addition, this audit would have included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit; in this case none were completed in the past year or currently open.

At the time of the audit, CALP was registered for the function of Generator Owner (GO). The Audit Team evaluated CALP for compliance during the period of March 3, 2008 to July 20, 2011. CALP is registered in multiple regions; however this audit only covers assets in the SPP RE region.

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

Confidentiality and conflict of interest of the Audit Team are governed under the SPP RE Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. CALP was informed of SPP RE's obligations and responsibilities under the agreement and procedures. The work history for each Audit Team member was provided to CALP. CALP 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. CALP 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 CALP.

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<sup>†</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

### ***Methodology***

The Audit Team reviewed the information, data, and evidence submitted by CALP and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to SPP RE 30 days before the scheduled date of the entity review. The audit team reviewed the evidence two weeks prior to the audit interview and developed interview questions and additional evidence requests. 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 reviewed documentation provided by CALP. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. were validated, substantiated and cross-checked for accuracy as appropriate. Documentation of programs was reviewed to ensure the programs covered the audit period. 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) and followed the NERC Sampling Methodology.

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***

Oneta Energy Center is a 4x2 combined cycle Facility with a nameplate Rating of 1250 MW that uses natural gas as its primary fuel. The Facility is located in Broken Arrow, Oklahoma and interconnects with American Electric Power (AEP) Service Corp. (as Agent for Public Svc. Co. of Oklahoma & SW Electric Power Co.) at 345 kV. Calpine Energy Services (CES), NCR00007, is the registered Generator Operator (GOP) & Purchasing-Selling Entity (PSE) while Calpine Corporation is the registered Generator Owner (GO).

Founded in 1984, Calpine Corporation (NYSE:CPN) owns 92 power plants that are capable of delivering approximately 28,000 megawatts of clean, reliable electricity to customers and communities in 20 U.S. states and Canada. AEP, NCR01056, is the TOP and BA for Oneta, and Southwest Power Pool, Inc. (SPP), NCR01143, is the RC for the Facility. Oneta is the only Calpine Facility in the SPP RE region.

### ***Audit Participants***

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

#### **Audit Team Participants**

<b>Role</b>	<b>Title</b>	<b>Entity</b>
Audit Team Lead	Senior Compliance Engineer	SPP RE
Team Member	Lead Compliance Specialist	SPP RE
Team Member	Senior Compliance Engineer	SPP RE
Team Member	SPP RE Consultant	Scott Porteous & Associates Inc.

#### **CALP Audit Participants**

<b>Title</b>	<b>Entity</b>
SVP Internal & Chief Compliance Officer	CALP
East Regional VP of Operations	CALP
Manager of East Real Time Operations	CALP
Compliance Director	CALP
Compliance Director	CALP
Compliance Director	CALP
Compliance Manager	CALP
Senior Compliance Analyst	CALP

### **Audit Results**

The Audit Team evaluated CALP for compliance with eleven (11) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of March 3, 2008 to July 20, 2011. CALP submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by CALP to assess compliance with standards applicable to CALP at this time.

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### *Findings*

<b>Reliability Standard</b>	<b>Req.</b>	<b>Finding</b>
FAC-008-1	R1	No Finding
FAC-008-1	R2	No Finding
FAC-009-1	R1	No Finding
FAC-009-1	R2	No Finding
IRO-004-1	R4	No Finding
PRC-004-1	R2	No Finding
PRC-005-1	R1	No Finding
PRC-005-1	R2	No Finding
PRC-017-0	R1	Not Applicable
PRC-017-0	R2	Not Applicable
PRC-023-1	R1	Not Applicable

### *Compliance Culture*

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

CALP's parent company, Calpine, has a strong and well developed compliance program. The Program includes Corporate Procedures and Policies to ensure compliance with all applicable NERC Reliability Standards. In addition, plant specific procedures address specific plant needs and operations and are supplemental to the Corporate Procedures and Policies.

Corporate regulatory compliance policies are signed by the CEO while operations-specific policies and procedures are approved by the Chief Compliance Officer. The core NERC Compliance Team consists of 3 Director-level personnel, and a Process Improvement Manager who is dedicated to improving compliance processes and procedures. Subject Matter Experts (SMEs) are also convened from various functional groups including: Operations, Commercial, Legal, Engineering, IS/IT and others as needed.

The NERC Compliance Team provides the generating facilities and the generation desk with NERC compliance procedures that include both site-specific and region-specific information. Generating Facility and Generation Desk Managers are responsible for implementing the NERC procedures and ensuring their staff members are adequately trained on their respective roles.

The Compliance Department conducts routine self-audits that require internal attestations and self-certifications by personnel responsible for implementing NERC Reliability Standards.

The Compliance Department reports potential non-compliance to the Legal Department, which then appropriately escalates the concern to the Chief Compliance Officer and the Chief Legal Officer. Self-reports to regulatory authorities are submitted when appropriate based upon executive review and analysis.

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The program is designed to be autonomous of Calpine's Commercial and Operations functions by having the NERC Compliance Team report directly to the Chief Compliance Officer and SVP of Internal Audit. The Chief Compliance Officer reports directly to the Chief Legal Officer and the Audit Committee of the Board of Directors. The Chief Legal Officer reports directly to the CEO. Furthermore, Calpine has a documented Open Door Policy that welcomes the reporting to supervisors and any executive questions or concerns relating to ethics or compliance. In addition, the Chief Compliance Officer has independent access to the CEO and Board of Directors.

Although not mandatory, CES ensures that the East Desk is staffed by a NERC RC Certified operator at all times. Compliance personnel actively participate in Regional Entity workshops, seminars, committees, boards, and task forces. Lessons learned and guidance from the Compliance Department are shared via multiple avenues, but most notably through routine conference calls with representatives from the generating facilities and other company groups. Lastly, policies and procedures related to NERC are published on the Intranet for employee viewing.

Formal self-audits of compliance with NERC and Regional Reliability Standards are performed during frequent self-certifications by the various Regional Entities. Since Calpine is registered in all eight regions and the regions actively monitor different NERC Reliability Standards during their self-certification periods, Calpine reviews its program on a very regular basis.

### **Post Audit Activities**

This report was reviewed and approved by:  
Ronald W. Ciesiel  
Executive Director of Compliance, SPP RE  
November 30, 2011