

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



Compliance Audit Report Public Version

Green Country Operating Services, LLC
NERC ID# NCR01104

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Date of Audit: August 10, 2011

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Executive Summary

A compliance audit of Green Country Operating Services, LLC (GCOS), NERC ID # - NCR01104 was conducted on August 10, 2011. At the time of the audit, GCOS was registered for the Generator Operator (GOP) function.

The Audit Team evaluated GCOS for compliance with sixteen (16) 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 June 18, 2007 to August 10, 2011. GCOS submitted information and documentation for the Audit Team's evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by GCOS to assess compliance with standards applicable to GCOS at this time.

Based on the information and documentation provided by GCOS, the Audit Team found GCOS to have No Findings of non-compliance with sixteen (16) applicable requirements. The Audit Team determined that zero (0) requirements were Not Applicable to GCOS. 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.

* 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.[†] The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to GCOS, based on the functions that GCOS 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 GCOS'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, GCOS was registered for the function of Generator Operator (GOP). The Audit Team evaluated GCOS for compliance during the period of June 18, 2007 to August 10, 2011.

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. GCOS 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 GCOS. GCOS 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. GCOS 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 GCOS.

[†] North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Methodology

The Audit Team reviewed the information, data, and evidence submitted by GCOS 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, which was held via a web conference.

The Audit Team reviewed documentation provided by GCOS. 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

The Green Country Energy Plant, operated by GCOS, is a nominal 795 MW 3-unit 1x1 natural gas combined cycle power plant located in Jenks, Oklahoma. It is connected via a one mile 345 kV radial transmission line to American Electric Power Service Corp. as Agent for Public Svc. Co. of Oklahoma & S.W. Elec. Pwr. Co. (AEP), NCR01056. The 3 gas turbines with a nameplate rating of 211 MW operate at 18 kV and the 3 steam turbines with a nameplate rating of 143.6 MW operate at 13.8 kV.

The Facility converts natural gas to electricity under a long term agreement for Exelon Generation Co., LLC (Exelon), NCR01095, the Purchasing-Selling Entity (PSE) for all of the Facility's energy output. It is owned by Green Country Energy, LLC (GCE), NCR01103.

Both GCOS and GCE are subsidiaries of J-POWER USA, which is a subsidiary of Electric Power Development Co., Ltd. (Tokyo Stock Exchange:9153).

AEP is the Transmission Operator (TOP), Balancing Authority (BA), and Transmission Planner (TP) for GCOS. Southwest Power Pool, Inc. (SPP), NCR01143, is the Reliability Coordinator (RC) for GCOS.

Audit Participants

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

Audit Team Participants

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

GCOS Audit Participants

Title	Entity
Vice President of Asset Management	J-POWER USA
Director of Asset Management	J-POWER USA
Manager of Regulatory Compliance	J-POWER USA
Plant Manager	GCOS
Maintenance Manager	GCOS
Operations Manager	GCOS
Contracts Administrator	GCOS
Plant Technician 1	GCOS
Plant Technician 1	GCOS
Plant Technician 1	GCOS
Field Service Engineer	Tidal Power Services

Audit Results

The Audit Team evaluated GCOS for compliance with sixteen (16) requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to August 10, 2011. GCOS submitted information and documentation for the Audit Team's evaluation of compliance with the requirements. The Audit Team reviewed and evaluated all information provided by GCOS to assess compliance with standards applicable to GCOS at this time.

Based on the information and documentation provided by GCOS, the Audit Team found GCOS to have No Findings of non-compliance with sixteen (16) applicable requirements. The Audit Team determined that zero (0) requirements were Not Applicable to GCOS. The Audit Team identified zero (0) Possible Violation(s).

Findings

Reliability Standard	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
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
TOP-002-2a	R3	No Finding
TOP-002-2a	R18	No Finding
VAR-002-1.1b	R1	No Finding
VAR-002-1.1b	R2	No Finding
VAR-002-1.1b	R3	No Finding

Compliance Culture

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

The GCE Reliability Standards Compliance Program describes the efforts, processes, and structures that GCOS has put in place to establish, develop, and sustain its ongoing culture of compliance. The internal compliance program describes roles and responsibilities, reliability standards training, internal controls and assessments, accountability, compliance plan administration, managing records and documentation, and compliance-related disciplinary actions. GCOS provided the program document as part of the audit evidence submission.

The Reliability Standards Compliance Program is provided to all GCOS personnel that have direct compliance responsibilities as well as to those individuals or groups with which GCOS interacts and that need to be aware of the program. GCOS provides periodic awareness and training on its internal compliance program through scheduled weekly meetings, subject-matter specific training, periodic functional training, emails on regular NERC updates and compliance meetings, and on-shift refresher training.

GCE tracks a number of reliability statistics and views compliance with the Reliability Standards to be a helpful tool to accomplishing this goal. During the opening presentation, they presented statistics comparing the availability of their facility to other generators and tracked their own performance over time, demonstrating that they are interested in maximizing reliability. They take a proactive approach to finding and correcting issues before they cause problems through extensive daily inspections and striving to continued improvement.

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GCOS is fully supported by its internal compliance team and independent compliance oversight from the GCOS owners, J-POWER USA. The GCOS internal compliance team is comprised of the Plant Manager, the Contracts Administrator, the Maintenance Manager, the Operations Manager, and subject matter experts from the operations and the maintenance departments. The Plant Manager and the Contracts Administrator are listed with SPP as the primary and secondary compliance contacts.

GCOS also receives support and independent oversight for its compliance program from the Director of Asset Management and the Manager of Regulatory Compliance from the plant owner, J-POWER USA. These personnel have their own independent chain of command and have full access to senior management and officers within J-POWER USA.

The Plant Manager has independent access to the plant owners, J-POWER USA, including the Director of Asset Management and the Vice President of Asset Management, who in turn is a member of the J-POWER USA's Executive Management Team and reports to the President and CEO.

The GCE Reliability Standards Compliance Program is operated and managed in a manner that is independent from departments responsible for performance to the Reliability Standards. Representing the plant owners, the independent compliance oversight team has a vested interest in the effective operation and management of this internal compliance program at and within the GCOS organization.

The GCOS internal compliance team regularly reviews its internal compliance program during periodic meetings where NERC compliance is discussed, and when changes to the compliance processes are necessary, those changes are discussed, documented, and implemented. It is also reviewed annually. GCOS audits its internal compliance program and includes it when GCOS utilizes the services of a qualified and screened third-party consultant to conduct periodic assessments and gap analyses.

GCOS's internal compliance program includes disciplinary action for employees involved in Reliability Standards violations. Continuous and ongoing regulatory compliance, including compliance with the Reliability Standards, is a company goal at GCOS and factors into the plant's performance incentive program which encourages and rewards employees for their contributions to ongoing compliance. Reporting of suspected or actual violations or incidents is encouraged by plant management and form part of the plant's continuous process improvement practices.

Post Audit Activities

This report was reviewed and approved by:
Ronald W. Ciesiel
Executive Director of Compliance, SPP RE
9-16-2011