

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



Compliance Audit Report Public Version

Llano Estacado Wind, LP
NERC ID# NCR10226

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

Date of Audit: August 31, 2011
Date of Report: October 31, 2011

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Executive Summary

A compliance audit of Llano Estacado Wind, LP (LLANOEWIND), NERC ID # - NCR10226 was conducted on August 31, 2011. At the time of the audit, LLANOEWIND was registered for the Generator Owner (GO), and Generator Operator (GOP) functions.

The audit team evaluated LLANOEWIND for compliance with 27 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 March 3, 2008 to August 31, 2011. LLANOEWIND submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by LLANOEWIND to assess compliance with standards applicable to LLANOEWIND at this time.

Based on the information and documentation provided by LLANOEWIND, the audit team found LLANOEWIND to have no findings of non-compliance with 22 applicable requirements. The audit team determined that 4 requirements were not applicable to LLANOEWIND. The audit team reviewed one requirement involved in Open Enforcement Action. The audit team identified no Possible Violation(s). The audit team notified LLANOEWIND of one Area of Concern*.

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 Southwest Power Pool Regional Entity (SPP RE) CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

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.

* Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

[†] 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 LLANOEWIND, based on the functions that LLANOEWIND 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 LLANOEWIND'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 included a review of 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, LLANOEWIND was registered for the functions of Generator Owner (GO), and Generator Operator (GOP) functions. The audit team evaluated LLANOEWIND for compliance during the period of March 3, 2008 to August 31, 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. LLANOEWIND 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 LLANOEWIND. LLANOEWIND 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. LLANOEWIND 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 LLANOEWIND.

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

Methodology

The audit team reviewed the information, data, and evidence submitted by LLANOEWIND 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 developed 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 LLANOEWIND. 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. 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

Top Deer Wind Ventures LLC is a 50/50 venture of Entergy and Shell WindEnergy and owner of Llano Estacado Wind, LP (LLANOEWIND).

LLANOEWIND is an 80 MW generation facility located near White Deer, TX. LLANOEWIND has 80 Mitsubishi MHI 1000A 1MW 600 VAC turbines that are stepped-up to 34.5 Kilovolts at the base of each turbine and conveyed via a collector system to a generation step-up transformer stepping-up the voltage to 115 Kilovolts. The Generator output is then provided to Southwestern Public Service Co. (SPS), NCR01145, the Transmission Operator (TOP) and Balancing Authority (BA). Southwest Power Pool (SPP), NCR01143 is the Reliability Coordinator (RC).

Audit Participants

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

Audit Team Participants

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

LLANOEWIND Audit Participants

Title	Entity
Vice President – Finance	Top Deer Wind
Site Manager	Shell
Senior Project Manager	Certrec
Manager	Certrec
Lead Senior Consultant	DP Engineering

Audit Results

The audit team evaluated LLANOEWIND for compliance with 27 requirements in the 2011 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period March 3, 2008 to August 31, 2011. LLANOEWIND submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by LLANOEWIND to assess compliance with standards applicable to LLANOEWIND at this time.

Based on the information and documentation provided by LLANOEWIND, the audit team found LLANOEWIND to have no findings of non-compliance with 23 applicable requirements. The audit team determined that 3 requirements were not applicable to LLANOEWIND. The audit team reviewed one requirement involved in an Open Enforcement Action. The audit team identified no Possible Violation(s). The audit team notified LLANOEWIND of one Area of Concern[§].

Findings

Details of the findings for compliance for the scope identified for this audit are outlined below:

[§] Per FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009.

Reliability Standard	Requirement	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	No Finding
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-004-1	R3	No Finding
PRC-005-1	R1	No Finding
PRC-005-1	R2	No Finding / Open Enforcement Action
PRC-017-0	R1	Not Applicable
PRC-017-0	R2	Not Applicable
PRC-023-1	R1	Not Applicable
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

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

Top Deer Wind Ventures, a 50/50 venture of Entergy and Shell WindEnergy, the parent owners of Llano Estacado Wind LP, has implemented a structure of policy and procedural control to prevent and detect violations of regulatory or other legal requirements, as well as demonstrate the commitment of senior management. The VP – Finance of Top Deer Wind Ventures oversees the development and maintenance of the company's policies and procedures. The VP – Operations is responsible for operating the venture's operating assets within those policies and procedures. The VP – Finance is designated the Compliance Manager for LLANOEWIND and exercises compliance oversight. LLANOEWIND Venture's Vice President of Operations and the site manager are responsible for day-to-day compliance program implementation. The VP – Finance and a Shell WindEnergy Representative both sit on the Management Committee established by resolution as passed by the Top Deer Wind Ventures Board of Directors and

provide periodic reports to the Board regarding the compliance program. Electric Reliability Standards Policies and Procedures have been developed to address mandatory electric reliability standards. Both the VP of Operations and the VP – Finance, sign these policies and procedures. The VP – Finance maintains the repository for the Electric Reliability Standards Policies and Procedures.

LLANOEWIND's compliance program is distributed within the White Deer Wind Farm through the implementation and use of procedures, staff communications and periodic training activities. Compliance communication is provided using several means for example:

- Employee meetings/discussions of compliance program requirements/changes
- Annual requirement to review the Policies and Procedures
- Annual participation in the completion of Self-certification

The senior management of Top Deer Wind Ventures, owner of LLANOEWIND, supports LLANOEWIND's compliance program. Sufficient resources are provided to implement and maintain the LLANOEWIND Compliance Program. Top Deer Wind Ventures and LLANOEWIND have provided the resources, budget and infrastructure (organizational and process) to establish and maintain the compliance program.

Additional information pertaining to the compliance culture of LLANOEWIND can found in the Internal Compliance Survey

Areas of Concern & Recommendations

FERC Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities, dated January 15, 2009^{**}, states that "If an audit team learns about a situation that does not appear to involve a current or ongoing violation of a Reliability Standard requirement, but instead represents an area of concern that could become a violation, we expect the team to notify the registered entity of the situation, discuss it with the entity, and document such discussions in the compliance audit report. We remind audit teams that they are expected to fully test compliance with any non-actively monitored standard if the teams find evidence during the audit of non-compliance with such a standard." The audit team notified LLANOEWIND of one Areas of Concern.

Post Audit Activities

This report was reviewed and approved by:

Stacy Dochoda

General Manager, SPP RE

October 31, 2011

^{**} <http://www.nerc.com/files/GuidanceOrderOnComplianceAudits-01152009.pdf>