



Compliance Audit Report Public Version

**DTE Energy Trading
NRC00760**

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

April 7, 2008

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Executive Summary

DTE Energy Trading is registered as a Purchase-Selling Entity (PSE) within the ReliabilityFirst region.

The off-site compliance audit of DTE Energy Trading was conducted, by ReliabilityFirst Corporation and NERC, on April 1-2, 2008 at the ReliabilityFirst offices located in Fairlawn, Ohio. In preparation for the audit, DTE Energy Trading supplied various materials as evidence of compliance with the applicable requirements in five (5) reliability standards. The audit team reviewed and evaluated all the material supplied by DTE Energy Trading. As a result, the audit team determined that DTE Energy Trading had NO alleged violation(s) and was in compliance with the applicable requirements in the five (5) reliability standards.

Furthermore, there were no ongoing mitigation plans and therefore none were reviewed by the audit team

Audit Process

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP). The NERC 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 audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.¹ The audit objectives are:

- Independently review DTE Energy Trading's compliance with the applicable requirements of the reliability standards to DTE Energy Trading based on the DTE Energy Trading's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Document DTE Energy Trading's compliance culture.

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Scope

The DTE Energy Trading's compliance audit included all reliability standards that are applicable to DTE Energy Trading and monitored in the NERC Implementation Plans for the period June 18, 2007 to March 31, 2008. The scope of the off-site compliance audit was part of the regularly scheduled cycle and was not due to or part of a compliance investigation.

DTE Energy Trading is subject to monitoring by ReliabilityFirst on a six year basis. This audit was conducted on those standards which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self certifications and mitigation plans as appropriate.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The audited entity was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. The audited entity was given an opportunity to object to an audit team member 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. The audited entity has not submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections.

All members of the audit team, that audited DTE Energy Trading, are members of the ReliabilityFirst Staff and are bound by the NERC Rules of Procedure and the confidentiality that is within that FERC filed document.

The Audit

DTE Energy Trading is subject to an audit once every six years, at the minimum, as provided by the NERC Rules and Procedures. Sixty (60) days prior to this scheduled audit, DTE Energy Trading had been provided with a pre-audit package which included all the necessary documents and information, required by NERC and ReliabilityFirst, to complete the audit process. This pre-audit package included the following:

- 60 day Notification letter which contained request for evidence, information and data submittals
- Audit Survey
- Audit Agenda as applicable
- Audit Team Work History with discussion of objection process

- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to DTE Energy Trading in both electronic and hardcopy format.

Reliability*First* had discussed with DTE Energy Trading the usage of technical experts and agreed to allow the usage of technical experts by DTE Energy Trading as it deemed necessary to explain their compliance to the reliability standards.

DTE Energy Trading had been notified to provide any technical experts or personnel it deemed necessary to provide an understanding of the evidence provided to meet compliance.

Due to the limited scope of this audit, the audit team leader did not request interviews with DTE Energy Trading employees representing subject matter expertise regarding all the registered functions of DTE Energy Trading. If these interviews had taken place, they would have provided the audit team with a basis for professional judgment when validating compliance with reliability standards.

At times, and according to the generally accepted government auditing standard 3.31, auditors were to use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Additionally, and with the generally accepted government auditing standard 3.39, while this standard places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

An audit agenda and/or schedule had been provided to DTE Energy Trading in advance to allow the necessary time to prepare for the audit. Reliability*First* and the audit team appreciated your cooperation and flexibility with the agenda.

Methodology

Reliability*First* conducted this audit via an off-site method. Sixty (60) days prior to this scheduled audit, DTE Energy Trading had been provided with a pre-audit package which included all the necessary documents and information, required by NERC and Reliability*First*, to complete the audit process. Upon receipt and review of the submitted information the audit team conducted a review of the information and evidence for compliance to the applicable standards.

With reviews completed on applicable requirements, the audit team conducted an exit briefing to provide the entity with the team findings. A report is compiled with review of the audited entity in both a public a non-public version which is submitted to the audited entity and NERC for posting upon completion. The off-site audits followed the following format.

Opening Briefing/Audit Overview

An Opening Briefing was conducted as a conference call/Webex to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The approach used by the Reliability*First* Audit team was to review each reliability standard and applicable requirement and then evaluate and measure the evidence provided, by the entity, against the requirement within the standard. When there was concern that the supporting evidence did not meet the requirement, clarification calls and or clarification e-mails were sent to the entity for additional detail, clarification and or additional evidence in the form of examples. The entity was NOT permitted to create new documents and or edit existing material and or documents that were provided as evidence.

Exit Briefing

An exit briefing was conducted with a presentation, via Webex, for the off-site audit of DTE Energy Trading. The Reliability*First* audit team and the DTE Energy Trading team participated. If alleged violations would have been identified during the audit they would have been reviewed during the discussion of our preliminary results however, DTE Energy Trading was provided an opportunity to ask questions that the audit team addressed. In addition, the audit team identified recommendations on quality of evidence that were reviewed with DTE Energy Trading. These recommendations will be provided to DTE Energy Trading in a separate document and not as part of the audit report. This is required as specified in section 3.1.6 of the Uniform Compliance Monitoring and Enforcement Program of the North American Electric Reliability Corporation.

Company Profile

DTE Energy Trading (DTE ET) is a market-regulated power affiliate and wholly-owned subsidiary of DTE Energy Company, a public utility holding company as defined by FERC. DTE Energy Company is also the holding company for the following regulated utilities: The

Detroit Edison Company and Michigan Consolidated Gas Company. DTE Energy Trading owns no physical assets and is only registered as a PSE with the RFC. DTE Energy Trading's 24/7 Hourly Desk was put in place to trade/market energy and/or capacity in all the markets in which it does business. It also acts as a scheduling entity for third party generation assets, per energy management agreements, as well as any additional scheduling functions that are required after normal business hours.

Audit Specifics

The compliance audit was conducted on April 1 & 2, 2008 at the ReliabilityFirst Office in Fairlawn, Ohio.

Audit Team Participants

Audit Team Role	Title	Company
Lead	Manager, Compliance Program Implementation	ReliabilityFirst
Member	Senior Consultant	ReliabilityFirst

DTE Energy Trading Audit Participants

Title	DTE
Director - Asset Operations	DTE Energy Trading Organization
Expert Attorney - Regulatory	DTE - General Counsel - Regulatory
Consultant - Regulatory Specialist	DTE - Regulatory Affairs - Federal Legislative
Enterprise Compliance Specialist	DTE - Enterprise Compliance Office

Audit Results

In general the evidence was reviewed and validated during the offsite audit for compliance to the standards or requirements. Where the evidence was not deemed sufficient or a clarification was required, the audited entity was contacted and asked to provide additional detail and/or examples of how compliance was met. No new documents were permitted or edits to existing documents allowed. Examples of adherence to compliance needed to be in the form of real-time applications and/or dated material to prove the entity's process and/or procedures were being followed.

Findings

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. This table also includes the details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

DTE Energy Trading List of Applicable Standards and Requirements

Reliability Standard	Requirement	Finding
INT-001-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	Compliant
IRO-001-1	R8.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

The DTE Energy Trading (DTE ET) compliance team includes representatives from DTE ET's Legal, Compliance, and Regulatory Affairs departments, and is led by DTE ET's Director – Asset Operations. A DTE ET NERC Reliability Standards Compliance Manual has been developed for the hourly desk that contains each applicable Compliance Standard for the PSE entity, as well as the requirements delegated to DTE ET under certain delegation agreements; see above. Each requirement within the Compliance Standard, that applies, has a written explanation of how DTE ET is to comply with associated reference materials to assure compliance. The applicable requirements have been reviewed with the appropriate personnel to ensure a clear understanding of the Compliance Standards and how DTE ET personnel are to comply with each standard. The DTE ET NERC Reliability Standards Compliance Manual will be reviewed annually or as Compliance Standards are updated to assure that the manual documentation is current. This review will be documented by the Director – Asset Operations. The Director – Asset Operations, DTE Energy Trading has overall and day-to-day responsibility of the Compliance Program