



Compliance Audit Report Public Version

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

**Vandolah Power Company, LLC
March 10-11, 2009**

NCR ID# 00078

July 16, 2009

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Executive Summary

As part of the Florida Reliability Coordinating Council, Inc. (FRCC) Compliance Monitoring and Enforcement Program (CMEP), the FRCC performs On-Site Compliance Audits of each Generator Owner and Generator Operator within the Region a minimum of once every six years.

The FRCC 2009 Compliance Audit of Vandolah Power Company, LLC (VPC) was conducted on Tuesday March 10, 2009 and Wednesday March 11, 2009 at its facilities in Wauchula, Florida.

The specific North American Electric Reliability Corporation (NERC) Reliability Standards, applicable requirements, along with VPC documentation (where required to demonstrate compliance), were reviewed by the compliance audit team. Relevant copies of documents, detailed audit team notes, Reliability Standard Audit Worksheets and the detailed basis of the findings are included in the VPC audit record file.

A total of thirteen (13) NERC Reliability Standards were reviewed, and the audit team found that:

- VPC was fully compliant with nine (9) standards.
- One (1) of the standards was not applicable to VPC.
- VPC was found to have three (3) possible violations.

The link to the Vandolah Power Company NOP can be viewed [here](#)

Audit Process

The compliance audit team followed the audit process steps that are outlined in the FRCC CMEP. The audit included the use of the NERC Reliability Standard Audit Worksheets (RSAWs) along with the NERC reliability standards for definition of requirements. The FRCC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices, as required by NERC.

Objectives

All Registered Entities are subject to audit for compliance with all reliability standards applicable to the functions for which the Entity is registered.¹ The audit objectives are to:

- Independently review VPC's compliance with the requirements of the reliability standards that are applicable to VPC based on VPC's registered functions.
- Validate compliance with applicable reliability standards from the FRCC and NERC 2009 Implementation Plan list of actively monitored standards.

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

- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with all other requirements of the standard(s) addressed in the self-report or self-certification, and review the status of any associated mitigation plan(s).
- Document VPC's compliance culture.

Scope

A compliance audit will include all reliability standards applicable to the Registered Entity monitored in the NERC and FRCC Implementation Plans in the current and two previous years (back to June 18, 2007), and may include other reliability standards applicable to the Registered Entity. The scope of an on-site compliance audit can vary depending on whether it is scheduled as part of a regular, periodic scheduled audit or as part of a compliance investigation.

The specific scope of this audit included:

- Pre-audit review of submitted documentation at the FRCC headquarters in Tampa, FL.
- On-site audit review of VPC facilities.
- Review of VPC compliance with the specifically monitored standards included in the 2009 FRCC Implementation Plan and did not include the period prior to June 18, 2007.
- Detailed review of procedures, plans, records (such as training and maintenance), and other documentation developed by VPC to demonstrate compliance with the applicable NERC reliability standards requirements. See Documentation table in this report for a listing of evidence submitted by VPC.

Confidentiality and Conflict of Interest

In order to ensure confidentiality and avoid conflict of interest the FRCC staff signed Non-Disclosure Acknowledgements as per the NERC Rules of Procedures. The signed documents, work history and conflict of interest forms of each audit team participant were provided to VPC in advance of the on-site audit. VPC 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 the audit team member's impartial performance of duties. VPC accepted the audit team participants with no objections. Three Federal Energy Regulatory Commission (FERC) Staff personnel also attended the compliance audit.

On-site Audit

On December 30, 2008, the FRCC submitted the 60 day notice of on-site audit to VPC by e-mail and US mail as required by the CMEP. The notice of the audit defined the process, the expectations, and a request for data submittal.

In addition, VPC was provided with a pre-audit survey, the audit scope, folders containing the RSAWs and associated reliability standards, an agenda, and a table of the reliability standards to be reviewed during the audit.

Methodology

The audit team conducted a pre-audit review of the evidence of compliance supplied by VPC, on February 26, 2009 at the FRCC office in Tampa, Florida. After an initial review of the data using the RSAWs, the audit team advised VPC that submittal of follow-up data was required for further determination and clarification of the evidence submitted.

An audit overview meeting was held with VPC via a conference call on March 2, 2009. The team leader went over the logistics and the agenda with VPC and informed VPC of the audit team's expectations while on site. During this meeting, the team leader confirmed the areas that would be investigated via an interview and requested that appropriate subject matter experts be available. VPC was in agreement with the agenda. VPC also provided the audit team with instructions of where to enter its facility and confirmed that the necessary personnel would be available during the on-site audit.

The audit team leader requested interviews with the VPC employees representing subject matter expertise regarding all of the registered functions of VPC. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Audit Overview

- Upon arrival at VPC, the audit team leader presented an overview of the audit agenda to VPC's audit participants. A brief discussion took place regarding the coordination of interviews. VPC was informed of when the preliminary compliance audit findings would be presented to its participants. The audit team later reviewed the audit folders requiring follow-up of additional evidence of compliance from VPC. See Documentation table in this report for letters requesting additional evidence by FRCC.

During the on-site audit, the audit team conducted interviews with the appropriate subject matter experts within the various areas to validate data and processes were being met by VPC as required by the reliability standards. The interviews confirmed VPC's personnel were well informed of the processes in accordance to their specific job function(s). The following subject areas were clarified during the on-site interviews:

- Facility ratings
- Relay maintenance

The audit team had direct communication with management as well as the subject matter experts who were collectively the audit participants. These interviews, in conjunction with submitted evidence, provided the audit team with a basis for their professional judgment when validating compliance with reliability standards. In accordance to the Generally Accepted Government Auditing Standard 3.31 - Auditors must use professional judgment in planning and performing audits and in reporting the results. The audit team was pleased with VPC's flexibility to

accommodate its schedules and to be readily available to answer questions regarding the assessed reliability standards.

The audit team requested additional documentation from VPC and asked the audit participants to clarify any questions or concerns the audit team had in validating compliance.

Exit Briefing

At the completion of the compliance audit, preliminary findings were presented to VPC's audit participants. (A list of the participants is included in this report). The monitored reliability standards were summarized. VPC was informed of the following next steps:

- The draft audit report will be provided for VPC's review.
- VPC is to provide written comments to FRCC within fourteen (14) days of receipt of the draft report.
- The audit team will finalize the report and provide to FRCC Compliance Staff.
- The FRCC Compliance Staff will review the audit report and determine the initial findings of alleged violation (if any).
- The final audit report will be issued and forwarded to NERC for posting in accordance with the FRCC CMEP.
- VPC feedback of the audit process will be requested.

Company Profile

VPC is registered on the NERC compliance registry with the following designated functions: Generator Owner and Generator Operator.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Auditor	FRCC
Member	Senior Compliance Auditor	FRCC
Member	Compliance Auditor	FRCC
Observer	Electrical Engineer	FERC
Observer	Electrical Engineer	FERC
Observer	Energy Analyst	FERC

VPC Audit Participants

Title	Organization
Plant Manager	VPC
Maintenance Supervisor	VPC
Operations Supervisor	VPC
Plant Manager	OCL/NSGS
EHS Manager	NSGS

Audit Results

Findings

Reliability Standard	Requirement	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R1.1	Compliant
FAC-008-1	R1.2	Compliant
FAC-008-1	R1.2.1	Compliant
FAC-008-1	R1.2.2	Possible Violation
FAC-008-1	R1.3	Compliant
FAC-008-1	R1.3.1	Compliant
FAC-008-1	R1.3.2	Compliant
FAC-008-1	R1.3.3	Compliant
FAC-008-1	R1.3.4	Compliant
FAC-008-1	R1.3.5	Compliant
FAC-008-1	R2	Compliant
FAC-008-1	R3	Compliant
FAC-009-1	R1	Compliant
FAC-009-1	R2	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-1	R13	Compliant
PRC-001-1	R1	Compliant

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Reliability Standard	Requirement	Finding
PRC-001-1	R2	Compliant
PRC-001-1	R2.1	Compliant
PRC-001-1	R3.1	Compliant
PRC-001-1	R5	Compliant
PRC-001-1	R5.1	Compliant
PRC-004-1	R2	Possible Violation
PRC-004-1	R3	Compliant
PRC-005-1	R1	Possible Violation
PRC-005-1	R1.1	Possible Violation
PRC-005-1	R1.2	Possible Violation
PRC-005-1	R2	Compliant
PRC-005-1	R2.1	Compliant
PRC-005-1	R2.2	Compliant
PRC-017-0	R1	Compliant
PRC-017-0	R1.1	Compliant
PRC-017-0	R1.1.1	Compliant
PRC-017-0	R1.1.2	Compliant
PRC-017-0	R1.1.3	Compliant
PRC-017-0	R1.1.4	Compliant
PRC-017-0	R1.2	Compliant
PRC-017-0	R1.3	Compliant
PRC-017-0	R1.4	Compliant
PRC-017-0	R1.5	Compliant
TOP-001-1	R3	Compliant
TOP-001-1	R6	Compliant
TOP-001-1	R7	Compliant
TOP-001-1	R7.1.	Compliant
TOP-001-1	R7.3.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R14.1.	Compliant
TOP-002-2	R14.2	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

The VPC compliance program and culture was reviewed by the audit team, in addition the Plant Manager of VPC was interviewed to verify the compliance program and its culture.

During these interviews, VPC demonstrated that their Compliance program is well documented and disseminated throughout VPC. The Plant Manager is responsible for Internal Compliance and he reports directly to the President of Northern Star Generation. Because of the small staff at VPC, compliance is performed by the same people responsible for compliance to the Reliability Standards.

VPC stated that they have sufficient resources, both staff and budget, for its compliance program, and that compliance effort has the support and participation of senior management. VPC performs an annual review of its compliance, and its compliance program (outside of FRCC or NERC mandated reviews). Additionally, VPC makes changes to its procedures and the Plant Manager's Standing Orders as new information or experience is gained on appropriate compliance procedures and techniques, or if a new standard is released.

VPC participates in the member services of FRCC with members on both the Operations Committee and the Compliance Committee, and recently, they have joined the SPCS committee.