



**Compliance Audit Report
Public Version**

**Harbor Cogeneration Company, LLC ("HCC")
NCR#05177**

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

Date of Audit: December 16, 2010

TABLE OF CONTENTS

Executive Summary	3
Audit Process	3
Objectives.....	4
Scope	4
Confidentiality and Conflicts of Interest.....	4
Methodology.....	5
Company Profile	5
Audit Participants	6
Audit Results	6
Findings.....	6
Compliance Culture	10
Exit Briefing.....	10

Executive Summary

The Western Electricity Coordinating Council (“WECC”) performed a compliance audit of Harbor Cogeneration Company, LLC (“HCC”) NERC on December 16, 2010. At the time of the audit, HCC was registered on the North American Electric Reliability Corporation (NERC) Compliance Registry for the following functions:

Generator Owner (“GO”)

Generator Operator (“GOP”)

The Audit Team evaluated HCC for compliance with ninety (90) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (“CMEP IP”). Additionally two (2) requirements in the WECC Regional Reliability Standards were audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to December 16, 2010. HCC submitted information and documentation for the Audit Team’s evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by HCC to assess compliance with standards applicable to HCC at this time.

Based on the information and documentation provided by HCC, the Audit Team found HCC to be compliant with thirty-seven (37) applicable requirements. The Audit Team determined that fifty-three (53) Requirements were not applicable to HCC. HCC had zero (0) Outstanding Violations. The Audit Team also found HCC compliant with two (2) Requirements in the WECC Regional Reliability Standards audited.

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 WECC CMEP. There were no ongoing or recently completed mitigation plans and therefore none were reviewed by the audit team.

The WECC 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 WECC CMEP. The audit process generally conforms to the United States Government Accountability Office

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

Government Auditing Standards (“GAGAS”) and to other generally accepted audit practices.

Objectives

A Registered Entity is subject to audit for compliance with all Reliability Standards applicable to its registered functions.

The audit objectives are to:

- Review compliance with the requirements of Reliability Standards that are applicable to HCC, based on the functions that HCC is registered to perform;
- Validate compliance with applicable Reliability Standards from the NERC 2010 CMEP Implementation Plan list of actively-monitored Reliability Standards and any applicable NERC Reliability Standards selected by WECC;
- Validate compliance with applicable Regional Standards from the WECC 2010 CMEP Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the WECC CMEP 2010 Implementation Plan. In addition, this audit included any self-reports, self-certifications, outstanding 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, HCC was registered for the functions Generator Owner (“GO”) and Generator Operator (“GOP”). The Audit Team evaluated HCC for compliance during the period of June 18, 2007 to December 16, 2010.

WECC notified HCC of the audit on October 11, 2010. WECC informed HCC that the Audit Team would perform the audit in accordance with the CMEP and the 2010 NERC Compliance Questionnaire and Reliability Standard Audit Worksheets (“RSAW”). In preparation for the audit, the Audit Team reviewed the RSAWs and other documents submitted by HCC to evaluate compliance with each applicable Reliability Standard.

Confidentiality and Conflicts of Interest

Confidentiality and Conflict of Interest of the Audit Team are governed under the WECC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. HCC was informed of WECC’s obligations and responsibilities under the Delegation

Agreement and Rules of Procedure. On October 11, 2010, WECC provided the work history for each Audit Team member to HCC. HCC had the opportunity to object to an Audit Team member's participation in the audit on the basis of a possible conflict of interest or because of other circumstances that could interfere with an Audit Team member's impartiality. Section 3.1.5 of the WECC CMEP requires the HCC to submit any objections no later than fifteen days prior to the start of the audit. HCC did not submit any objections regarding any Audit Team members. There have been no denials of information or access limitations placed upon this Audit Team by HCC.

Methodology

The Audit Team reviewed the information, data, and evidence submitted by HCC and assessed compliance with requirements of the applicable Reliability Standards. Submittals of information and requests for data were sent to HCC at least thirty days before the scheduled date of the audit. Additional information relevant to the audit could be submitted until the last day of the review at the audit site. After that date, only data or information which was relevant to the content of the report or its findings 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 HCC. Data, information and evidence submitted in the form of policies, procedures, emails, logs, data sheets, etc., was validated, substantiated and cross checked for accuracy as appropriate. Where sampling is applicable to a requirement, the sample set is determined by a statistical methodology augmented with professional judgment to ensure that the sample set is representative of the Requirement's significance to the reliability of the Bulk Electrical System ("BES").

Findings were based on the Audit Team's knowledge of the BES, the NERC Reliability Standards and team members' professional judgment. All findings were developed based on the consensus of the Audit Team.

Company Profile

Harbor Cogeneration Company, LLC ("HCC") is located at 505 Pier B Street, Wilmington, CA, 90744. HCCs 100 MW Peak "generation" is normally provided in the summer.

Audit Participants

The following is a list of WECC Audit Team members and HCC personnel who participated in the audit.

Audit Team Members

Audit Team Role	Title	Company
Audit Team Lead	Compliance Engineer	WECC
Member	Consultant	WECC

HCC Audit Participants

Title	Company
Closing Presentation only	SWGC
Director of Asset Management	SWGC
Compliance Coordinator	SWGC
Plant Manager	HCC
Closing Presentation only	HCC
Closing Presentation only	HCC
Closing Presentation only	FVP
Closing Presentation only	BHC

Audit Results

The Audit Team evaluated HCC for compliance with ninety (90) requirements in the NERC Compliance Monitoring and Enforcement Program 2010 Implementation Plan (“CMEP IP”). Additionally two (2) requirements in the WECC Regional Reliability Standards were audited. The Audit Team reviewed the NERC Reliability Standards for the period of June 18, 2007 to December 16, 2010. HCC submitted information and documentation for the Audit Team’s evaluation of compliance with requirements. The Audit Team reviewed and evaluated all information provided by HCC to assess compliance with standards applicable to HCC at this time.

Based on the information and documentation provided by HCC, the Audit Team found HCC to be compliant with thirty-seven (37) applicable requirements. The Audit Team determined that fifty-three (53) Requirements were not applicable to HCC. HCC had zero (0) Outstanding Violations. The Audit Team also found HCC compliant with two (2) Requirements in the WECC Regional Reliability Standards audited.

Findings

The following table details the findings for compliance for the scope identified for this audit.

No Finding (“NF”): The audit team did not discover areas of non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.

Possible Violation (“PV”): The audit team discovered areas of possible non-compliance based on the evidence presented by the Registered Entity and reviewed by the audit team.

Not Applicable (“NA”):

- The Requirement does not apply to the Registered Entity based on the entity’s registered functions.
- The Requirement applies to the Registered Entity based on their functional registration but the entity does not possess the system(s) referenced in the Requirement.

Open Enforcement Action (“OEA”): At the time of the audit the Registered Entity had an open action item regarding the Requirement.

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
COM-002-2	R2.	Not Applicable
FAC-002-0	R1.	No Finding
FAC-008-1	R1.	No Finding
FAC-008-1	R2.	No Finding
FAC-008-1	R3.	No Finding
FAC-009-1	R1.	No Finding
FAC-009-1	R2.	No Finding
IRO-001-1.1	R3.	Not Applicable
IRO-001-1.1	R7.	Not Applicable
IRO-001-1.1	R8.	No Finding
IRO-001-1.1	R9.	Not Applicable
IRO-004-1	R1.	Not Applicable

Standard	Req.	Finding
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	No Finding
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable
IRO-004-1	R7.	Not Applicable
IRO-005-2	R1.	Not Applicable
IRO-005-2	R2.	Not Applicable
IRO-005-2	R3.	Not Applicable
IRO-005-2	R4.	Not Applicable
IRO-005-2	R5.	Not Applicable
IRO-005-2	R7.	Not Applicable
IRO-005-2	R8.	Not Applicable
IRO-005-2	R9.	Not Applicable
IRO-005-2	R10.	Not Applicable
IRO-005-2	R11.	Not Applicable
IRO-005-2	R12.	Not Applicable
IRO-005-2	R13.	No Finding
IRO-005-2	R14.	Not Applicable
IRO-005-2	R15.	Not Applicable
IRO-005-2	R16.	Not Applicable
IRO-005-2	R17.	Not Applicable
NUC-001-2	R1.	Not Applicable
NUC-001-2	R2.	Not Applicable
NUC-001-2	R3.	Not Applicable
NUC-001-2	R4.	Not Applicable
NUC-001-2	R5.	Not Applicable
NUC-001-2	R6.	Not Applicable
NUC-001-2	R7.	Not Applicable
NUC-001-2	R8.	Not Applicable
NUC-001-2	R9.	Not Applicable
PRC-001-1	R1.	No Finding
PRC-001-1	R2.	No Finding
PRC-001-1	R3.	No Finding
PRC-001-1	R4.	Not Applicable
PRC-001-1	R5.	No Finding
PRC-001-1	R6.	Not Applicable
PRC-004-1	R1.	Not Applicable

Standard	Req.	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
TOP-001-1	R1.	Not Applicable
TOP-001-1	R2.	Not Applicable
TOP-001-1	R3.	No Finding
TOP-001-1	R4.	Not Applicable
TOP-001-1	R5.	Not Applicable
TOP-001-1	R6.	No Finding
TOP-001-1	R7.	No Finding
TOP-001-1	R8.	Not Applicable
TOP-002-2	R1.	Not Applicable
TOP-002-2	R2.	Not Applicable
TOP-002-2	R3.	No Finding
TOP-002-2	R4.	Not Applicable
TOP-002-2	R5.	Not Applicable
TOP-002-2	R6.	Not Applicable
TOP-002-2	R11.	Not Applicable
TOP-002-2	R13.	No Finding
TOP-002-2	R14.	No Finding
TOP-002-2	R15.	No Finding
TOP-002-2	R16.	Not Applicable
TOP-002-2	R17.	Not Applicable
TOP-002-2	R18.	No Finding
TOP-002-2	R19.	Not Applicable
TOP-003-0	R1.	No Finding
TOP-003-0	R2.	No Finding
TOP-003-0	R3.	No Finding
TOP-003-0	R4.	Not Applicable
VAR-002-1.1a	R1.	No Finding
VAR-002-1.1a	R2.	No Finding
VAR-002-1.1a	R3.	No Finding
VAR-002-1.1a	R4.	No Finding
VAR-002-1.1a	R5.	No Finding
VAR-STD-002a-1	WR1.	No Finding
VAR-STD-002b-1	WR1.	No Finding

Compliance Culture

HCC's compliance culture was not reviewed by the Audit Team.

Exit Briefing

To conclude the audit, the Audit Team leader gave a PowerPoint presentation for HCC's personnel summarizing the Audit Team's preliminary findings. The Audit Team lead also explained the next steps in the audit process and how WECC handles possible violations under the CMEP.

In Accordance with WECC CMEP Section 3.1.6:

WECC provided the draft of this audit report and an Entity Comment Form to HCC on January 03, 2011 for review and comment. HCC returned the Entity Comment Form but did not make comments on changes to the draft report.

Management Approval

This report was reviewed and approved by John McGhee, WECC Director of Compliance Audits and Investigations on February 10, 2011.