



Compliance Audit Report Public Version

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

**Edison Mission Marketing & Trading,
Inc.
NCR00769**

**Audit
August 13-14, 2008**

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Executive Summary

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The report will be submitted to Edison Mission Marketing & Trading, Inc. (EMMT) and to NERC after any Possible Alleged Violations have been processed through the Southwest Power Pool Regional Entity's (SPP RE) 2008 Compliance Monitoring and Enforcement Program.

EMMT was scheduled for an off-site audit in 2008 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). EMMT is subject to audits by SPP RE on a six year basis. The audit team reviewed the material provided by EMMT in response to the initial SPP RE data request and additional material requested by the audit team during their review as necessary to develop its findings. The SPP RE audit team reviewed the material and developed the audit findings for EMMT's compliance to the standards.

SPP RE audit team reviewed 16 standards which included 38 requirements that apply to EMMT for the functions it performs with the SPP RE Region. Of the 16 standards and applicable requirements, 3 were determined to not apply to EMMT since it does not have any designated black start generators nor own special protection systems. EMMT was prepared for the audit and presented its documentation in a complete and concise manner. EMMT did not have any violations or mitigation plans open for review during this audit.

After reviewing all of the evidence presented, the audit team found EMMT to be compliant with all 13 of the NERC standards reviewed and applicable to EMMT at this time.

Audit Process

The compliance audit process steps are detailed in the NERC 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:

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

- Independently review the company's compliance with the requirements of the NERC and regional reliability standards that are applicable to the company based on the company's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Review self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Validate coordination with neighboring BAs, TOPs, and the Reliability Coordinator.
- Document the company's compliance culture.

Scope

The off-site compliance audit includes all reliability standards applicable to the Registered Entity monitored in the CEMP Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity.

There are 62 NERC standards in the 2008 Monitored Compliance Program. Thirty-eight standards cover functions not performed by EMMT and are not applicable to the company. Eight CIP standards were reviewed by NERC CIP self certification this summer.

If a company has an outstanding mitigation plan or has just completed a mitigation plan, the progress or completion of the plan was validated off-site by the audit team. EMMT did not have any outstanding mitigations plans.

This audit report includes the findings from the off-site review of the EMMT's evidence.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and Regional Entity staff were provided to the SPP RE and available to the audited entity in advance of the audit. The work history of each audit team member was provided to SPP RE and the company. The company 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. EMMT accepted the final audit team member participants with no objections. SPP RE found no conflict of interest for any of the audit team members.

Off-site Audit

The off-site audit is part of the NERC Compliance Monitoring and Enforcement Program (CMEP). EMMT is subject to a compliance audit once every six years at the minimum, as indicated in the NERC Rules and Procedures. The off-site audit covers the 2008 NERC monitored standards, any Regional standards identified and possible other NERC standards listed in the pre-audit information. Companies on the 2008 off-site audit list were notified in the fall of 2007 about their upcoming audit and scheduled for the audit. Sixty days in advance, a letter explaining the audit was sent to the company. SPP RE sent the company a request for data and documents to complete. The pre-audit material included the audit team members, audit agenda, standards to be reviewed, a pre-audit survey, the standards questionnaires, and the option to reject any audit team member. The pre-audit material received from the company provided the audit team an explanation of how the company operates for the functions for which they are registered.

The supporting evidence to show compliance with each requirement of the standards was reviewed by the audit team at the SPP RE office. Evidence included summary reports, company procedures, processes, data bases, logs, and other sources. Information gathered from Balancing Authorities, Transmission Operators, and the Reliability Coordinator was considered during the review of evidence. The audit team conducted the audit via teleconference and WebEx with company participants in a manner similar to an on-site audit. This process enabled the team to quickly get answers to its questions, request additional information, and exposed company staff to the actual audit process. It also provided an opportunity for the audit team to comment on the evidence it looked for and helped solidify to its employees why a company follows certain procedures and processes. Any self-reported violations or open mitigation plans were reviewed by the audit team. The audit team used the evidence, the discussions with the company subject matter experts along with their professional judgment to decide on the recommended findings for the report.

On the final day, the lead auditor held a conference call and WebEx to present the findings of the audit to the company staff. EMMT included several staff members for the final presentation. The presentation covered the findings for the standards reviewed. The final report process was explained along with the security of the audit information. EMMT was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. EMMT was also notified that a post-audit questionnaire will be provided for them to make any comments about the audit or audit team. There was a question and answer session after the presentation.

Methodology

The audit team reviewed the evidence supplied by the company for each requirement of all NERC standards that apply to the functions performed by the company to determine if the company complied with that requirement. The company would be found to be noncompliant with requirements where compliance cannot be confirmed.

This audit was conducted in the SPP-RE offices using material provided by EMMT. The audit team decided to conduct the audit live with company participants including those with subject matter expertise regarding all registered functions of EMMT via teleconference and WebEx. These discussions in conjunction with evidence provided the audit team were a basis for professional judgment when validating compliance with reliability standards.

The team reviewed each requirement and discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and the SPP RE. The audit team developed the closing presentation of the audit findings. The lead auditor gave the presentation to the EMMT staff and answered all their questions.

Audit Overview

The audit team reviewed material supplied by EMMT and requested follow-up and/or additional documentation as needed. The audit team reviewed each applicable standard in numerical order.

Audit

The EMMT audit was performed as planned. The agenda was followed with only minor adjustments. EMMT's cooperation and flexibility with the agenda was appreciated by the audit team.

Exit Briefing

The audit team gave an exit presentation for the EMMT staff. The team lead explained the findings from the audit. The presentation was attended by EMMT staff that participated in the audit and other staff. The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements. EMMT was informed that they will receive an audit evaluation to complete and return to NERC.

The audit team used the exit presentation to help verify that the information presented was correct.

Company Profile

EMMT performs the following NERC functions and is registered with NERC/SPP RE for these functions:

- Generator Operator
- Generator Owner

Based in Irvine, Calif., Edison Mission Group (EMG) manages the competitive power generation business and other unregulated subsidiaries of Edison International.

Under the EMG umbrella, Edison Mission Energy (EME) is an independent power producer engaged in the business of owning, leasing, operating and selling energy and capacity from electric power generation facilities.

EME also conducts risk management, energy trading, and Real-Time 24/7 Dispatch activities through Edison Mission Marketing and Trading (EMMT), based in Boston.

EMMT is the NERC Registered Entity for EME, which operates three wind energy projects within SPP RE footprint.

Wildorado Wind Ranch is a 161 MW facility which interconnects via a 230 kV transmission line at Bushland Interchange with Southwestern Public Service Company (SPS). San Juan Mesa Wind Project is a 120 MW facility which interconnects via a 230 kV transmission line at Hisel Switching Station with SPS. These two facilities are within the SPS Balancing Authority and Transmission Operator area.

Sleeping Bear Wind is a 96 MW facility which interconnects via a 138 kV transmission line at Ft. Supply Substation with Western Farmers Electric Cooperative within its Balancing Authority and Transmission Operator area.

SPP is the Reliability Coordinator for EMMT.

Audit Specifics

The compliance audit was conducted on August 13-14, 2008 at the SPP RE office in Little Rock, Arkansas.

Audit Team

Audit Team Role	Name	Title	Company
Lead	Kevin Goolsby, P.E.	Lead Engineer	SPP RE
Member	James Williams	Lead Compliance Specialist	SPP RE
Member	Joe Gertsch	Lead Engineer	SPP RE
Member	Tom Hess	Contractor	SPP RE
Observer	Mark Vastano	Regional Coordinator	NERC

EMMT Audit Participants

Title	Organization
Director, O&M - Wind	Edison Mission O&M
Director, Sr. Counsel	EMMT
Director, O&M Engineering Support	Midwest Generation
Managing Director, Operations	EMMT
Senior Operations Analyst	EMMT
Corporate Auditor	Edison International
Corporate Auditor	Edison International
Director- O&M Support	Edison Mission O&M
O&M Project Manager – San Juan Mesa Wind	Edison Mission O&M
Director, NERC Compliance Programs	ICF Consulting
Director, NERC Reliability Standards Compliance	ICF Consulting
Manager, NERC Compliance	ICF Consulting

Audit Results

EMMT did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, the audit team found EMMT to be compliant with all 13 applicable standards reviewed.

Senior management attended the audit findings presentation. EMMT was prepared for the audit and presented its documentation in a complete and concise manner. EMMT expert personnel from each area of expertise were available to support the evidence provided or asked for during the audit. EMMT showed that they are in compliance with the NERC standards and have processes and procedures in place to insure that they continue to remain compliant. EMMT staff is committed to compliance.

Findings

EMMT Off-site Audit Findings

*N/A – Not Applicable

PAV – Possible Alleged Violation

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
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
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant

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Reliability Standard	Requirement	Finding
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

Compliance Culture

EMMT completed a questionnaire prior to the compliance audit. EMMT stated that it has a formal internal compliance program and provided a description of the internal compliance monitoring to the audit team.

The NERC Oversight Team (NEOT) is a group of Edison Mission Group's (EMG's) Functional Experts whose job it is to coordinate EMG's compliance efforts with NERC reliability standards. NEOT has the responsibility and authority to implement NERC compliance for all of the EMG companies which includes EMMT, Wildorado, Sleeping Bear and San Juan Mesa.

The NERC compliance program is distributed throughout all of the EMG companies and to its employees. To emphasize, the EMG companies located in the SPP RE footprint (as well as other NERC Regions) have procedures and guidelines on site that contain NERC requirements; these have been approved by management and by the NEOT. Management and employees have also been instructed on their specific NERC responsibilities. In addition to their NERC Compliance program, EMG has a corporate-wide compliance program that encompasses all compliance efforts.

The NERC compliance Officer functions are performed by NEOT. NEOT reports to the NERC Chief Compliance Officers. The NERC Chief Compliance Officers are members of the EMG governing committee, the Managing Committee. They report directly to EMG's CEO. The designated Chief Compliance Officer is a member of the EMG Management Committee reporting directly to the CEO and thus has direct access to the CEO.

The internal compliance program is operated and managed independently of the departments responsible for performance of the Standards. Performance of NERC standards is achieved and monitored at an operational level through establishing appropriate processes, procedures and management directives.

EMG believes that it currently has sufficient resources and dedicated budget for its compliance program. Budgets are reviewed and potentially adjusted on a yearly basis. This year the NEOT organization has augmented their own internal staff with contractors to better prepare for NERC RE Audits and to assist in the enhancement of the NERC Compliance Program to meet the needs of an ongoing and evolving NERC Compliance Program.

EMG reviews and modifies its internal compliance program annually or as needed. NEOT has engaged the services of industry experts in the area of NERC compliance to assess EMG's infrastructure, staffing and processes to continue to meet the needs of evolving NERC Compliance requirements.

EMMT's internal compliance program includes appropriate and sufficient compliance adherence training for all relevant staff. Employees at the facilities have received face-to-face Compliance Training, which included NERC compliance and requirements. The Compliance Training presentation was also emailed to site managers and placed on the EMG web site portal available for all employees.

The program contains disciplinary actions for employees involved in violations. Edison International (EIX) and the Edison Mission Group (EMG) have corporate policies that provide guidance and information on requirements of the company business and employment practices.

Overall, EMMT has a compliance program with staff involvement. The staff is aware of the importance of continual compliance. EMMT's compliance program appears strong based on the concise and complete nature of the compliance documentation and evidence provided for this audit.