



Compliance Audit Report Public Version

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and Critical Energy Infrastructure Information)
Has Been Removed

Entergy Power Ventures, LP
NCR01094

Audit
August 12-14, 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 Entergy Power Ventures, LP (EPV) 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.

EPV was scheduled for an off-site audit in 2008 as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). EPV is subject to audits by SPP RE on a six year basis. The audit team reviewed the material provided by EPV 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 on EPV's compliance to the standards.

SPP RE audit team reviewed 16 standards which included 38 requirements that apply to EPV for the functions it performs with the SPP RE Region. Of the 16 standards and applicable requirements, 3 standards were determined to not apply to EPV since it does not have any designated black start generators nor own special protection systems. EPV was prepared for the audit and presented its documentation in a complete and concise manner. EPV 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 EPV to be compliant with all 13 of the NERC standards reviewed and applicable to EPV 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. Forty-six standards cover functions not performed by EPV 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. EPV did not have any outstanding mitigations plans.

This audit report includes the findings from the off-site review of the company'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. EPV 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). EPV 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. EPV included several staff members for the closing presentation. The presentation covered the findings for the standards reviewed. The final report process was explained along with the security of the audit information. EPV was informed that the public report will be posted on the NERC and SPP RE websites after all due processes are complete. EPV 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 EPV. The audit team decided to conduct the audit live with company participants including those with subject matter expertise regarding all registered functions of EPV 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 EPV staff and answered all their questions.

Audit Overview

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

Audit

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

Exit Briefing

The audit team gave an exit presentation for the EPV staff. The team lead explained the findings from the audit. The presentation was attended by EPV 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. EPV 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

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

- Generator Operator
- Generator Owner

EPV is a limited partnership and jointly owned by Entergy Power Ventures Corp I and Entergy Power RS Holding Company, LLC. EPV is the majority owner of the Harrison County Power Project which is operated by Entergy Power Operations U.S., part of the Entergy Fossil Organization.

EPV is majority owner of the Harrison County Project which is a two on one Combined Cycle Gas Turbine (CCGT) generating plant with a nameplate rating of 567 MW. Energy is sold into the SPP market.

SPP is the Reliability Coordinator for EPV. EPV is in the AEPW Balancing Authority and Transmission Operator area.

Audit Specifics

The compliance audit was conducted on August 12-14, 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

EPV Audit Participants

Title	Organization
VP – Asset Management - Entergy Asset Mgmt	EPV
Production Supt HCPP - Entergy	EPV
IT Consultant EAM	EPV
Project Manager – Electric Reliability Stds Entergy	ESI
Plant Engineer HCPP - Entergy	EPV
Plant Manager HCPP - Entergy	EPV
President / CEO Entergy Competitive Ops	EPV
Sr. Director Development Entergy Asset Mgmt	EPV
VP – Ethics & Compliance Entergy	ESI
Dir – Electric Reliability Standards Entergy	ESI

Audit Results

EPV 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 EPV to be compliant with all applicable standards reviewed.

Senior management attended the audit findings presentation. EPV was prepared for the audit and presented its documentation in a complete and concise manner. EPV expert personnel from each area of expertise were available to support the evidence provided or asked for during the audit. EPV 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. EPV staff is committed to compliance.

Findings

EPV 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

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

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

Entergy has implemented a multi-layered program that presents a supportive 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 Entergy Corporate Compliance Committee and the Corporate Compliance Officer oversees the development and maintenance of the company's system policies and procedures governing legal compliance and business ethics. The Corporate Compliance Committee was established by resolution passed by the Entergy Corporation Board of Directors and, pursuant to the resolution, provides periodic reports to the Board regarding the compliance program.

OMM Policy OMM-PL-004, titled "Management Oversight", establishes two committees, one to provide senior level oversight of compliance with reliability standards and the other to promote the cross-functional optimization of electric reliability compliance programs, including joint evaluations or self-assessments.

Further, OMM Policy OMM-PL-001, titled "Compliance Policy", establishes management's expectations and commitment to compliance through a framework of key concepts that will facilitate effective compliance. It mandates Functional Business Units to develop an appropriate Compliance Program to address FERC-approved mandatory electric reliability standards. OMM-PL-001 outlines critical components to be considered in the development of a Functional Business Unit's Compliance Program.

Accordingly, Entergy Power Ventures has implemented a Business Unit specific Compliance Policy that implements within its business unit the requirements of OMM-PL-001 as stated above.

EPV's compliance program is distributed within the Harrison County Project through the implementation and use of procedures, staff communications and periodic training activities.

For Entergy Power Ventures (EPV), the responsible management individual exercising ultimate responsibility for the business unit's compliance function is the Vice President, Entergy Asset Management, who is designated the Compliance Manager for EPV. EPV is responsible for day to day compliance program implementation within their organization and oversight of Harrison County Project compliance activities.

The EPV Compliance Manager (VP) is a member of the EROC and his manager is a member of the EROC. Through these avenues and others, a direct input to the Board of Directors is provided.

Harrison County Project's Plant Manager and Production Superintendent, who are within the Fossil Operations organization, provide day to day direction and oversight of the ongoing compliance program activities at the plant. Harrison County Project personnel are responsible for implementation day to day.

Corporate direction, oversight and monitoring include the EROC and the Director, Electric Reliability Standards, who serves as the chairman of the EROC and who reports to the Corporate Compliance Officer (VP, Ethics & Compliance).

Sufficient resources are provided to implement and maintain the EPV Compliance Program. Entergy and EPV have provided the resources, budget and infrastructure to establish and maintain the compliance program. An example of a substantial commitment is the Entergy Compliance and Risk Tool that is being implemented to assist in future ongoing compliance monitoring and control (the tool assesses risk, provides for controls and tests to ensure compliance is being maintained).

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