

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



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Compliance Audit Report Public Version

AES Thames LLC
March 18- April 4, 2008

Confidential Information (including Privileged and
Critical Energy Infrastructure Information)
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April 4, 2008

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Executive Summary

The offsite compliance audit of AES Thames LLC was conducted between March 19 and April 6, 2008. Additional information was submitted by AES Thames LLC on March 24, April 1 and April 3, 2008. The audit was completed using data submitted by AES Thames LLC and email data exchanges. The audit team evaluated AES's compliance with nine reliability standards identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard. Of the nine standards audited, all nine were judged to be compliant or not applicable. AES provided subject matter experts for each standard resulting in a more clear understanding of the AES business model and accelerated the audit process. The evidence provided to demonstrate compliance was complete. The audit team would like to thank the AES audit preparation team for the support offered through the audit.

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 full final compliance audit report was submitted to the audited entity and NERC.

Audit Process

The 2008 NPCC CBRE Compliance Program is designed to monitor, assess and enforce compliance in accordance with the 2008 monitored list of NERC Reliability Standards. As part of that program certain entities were selected to have a compliance audit for those Standards/Requirements that are applicable to the function that an entity has registered. The scope of the compliance audit was limited to those Standards/Requirements that are included in the 2008 monitored list of NERC Reliability Standards.

As a registered Generator Owner, AES Thames LLC was audited on the following NERC Reliability Standards/Requirements from the 2008 monitored list:

Standard Number	Requirement Number
EOP-009-0	R2.
FAC-008-1	R1, R2
FAC-009-1	R1, R2
IRO-004-1	R4.
PRC-004-1	R2, R3.
PRC-005-1	R1, R2
PRC-016-0	R1, R2, R3.
PRC-017-0	R1, R2
VAR-002-1	R4 R5

The audit was completed using data submitted by AES Thames LLC and e-mail exchanges. The audit team evaluated AES Thames LLC's compliance with the above Standards identified in the 2008 NERC Implementation Plan for the period of the last 12 months or monitoring timeframes specified in each reliability standard. Of the nine standards all were judged to be compliant or not applicable, based on the data submitted in response to the audit request and further data provided as a result of follow-up questions.

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:

- Independently review AES Thames LLC's compliance with the requirements of the reliability standards that are applicable to AES Thames LLC based on the AES Thames'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.

Scope

The compliance audit included all reliability standards applicable to AES Thames LLC monitored in the NERC 2008 Implementation Plan. The monitoring period for the compliance audit was the past 12 months or periods specified in individual reliability standards. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NPCC representative were provided to the audited entity in advance of the

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

audit. Work history and conflict of interest forms submitted by each audit team member were 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 the audit team member's impartial performance of duties. The audited entity accepted the audit team member participant with no objections.

Off-site Audit

The notice of the audit was sent on January 4, 2008 to Mr. Mark Boucher, Vice President for AES Thames LLC notifying him of the schedule for the Compliance Audit as a Generation Owner on March 14, 2008. Attached to the letter was the following information to assist Mr. Boucher in his preparation for the audit, a) request for information, b) Reliability Standards Audit Worksheets (RSAW), c) Pre-Audit Survey and d) Pre-Audit Questionnaire. The list of reliability standards are as follows:

Standard Number	Requirement Number
EOP-009-0	R2.
FAC-008-1	R1, R2
FAC-009-1	R1, R2
IRO-004-1	R4.
PRC-004-1	R2, R3.
PRC-005-1	R1, R2
PRC-016-0	R1, R2, R3.
PRC-017-0	R1, R2
VAR-002-1	R4 R5

The audit team leader requested the organizational table of AES Thames LLC listing the employees representing subject matter expertise regarding all of registered functions of the Company. This table in conjunction with evidence provide to the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

Auditing standards and best practices are followed by compliance auditors in carrying out their work as described in the Compliance Auditor Manual. The criteria are objective, measurable, complete and relevant to the audit objectives. The auditor will identify potential sources of audit

evidence and consider the amount and type of evidence needed given the risk and significance of the standard.

Audit

The audit team reviewed each of the Reliability Standard Audit Worksheet (RSAWs) submitted for each listed standard as well as each of the policies and procedures used by AES Thames LLC in meeting the requirements of each standard. Some of these procedures were at the Company level, the Reliability Coordinator level and at the regional level. Additionally, the audit team contacted AES Thames LLC on March 24, 28 and April 2, 2008 for clarifications and additional documentation needed to complete the audit. Additional information was sent via e-mail on a timely basis to the auditor by the company in response to the outstanding questions.

Exit Briefing

The exit briefing was conducted by conference call on March 31, 2008. The meeting was attended by Michael Calimano of NPCC, [Mark Boucher of AES Thames](#) and Stan Brayton of AES Thames. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that all nine standards were judged to be compliant or not applicable. AES Thames LLC was given an opportunity to question the audit findings and provide comment on the audit.

Company Profile

AES Thames LLC is a coal-fired co-generation facility located in Uncasville, Connecticut. The parent company, AES currently owns 100% of AES Thames LLC. AES Thames is connected to the Northeast Utilities electric grid at 115 kV. ISO-NE is the Reliability Coordinator and Balancing Authority for ANP Thames, LLC.

Audit Specifics

The compliance audit was conducted by Michael Calimano on March 24, 2008 at NPCC offices at 1515 Broadway, New York, New York 10036

Audit Team

Audit Team Role	Title	Company
Lead Michael Calimano	Contracted Consultant	NPCC
Sal Buffamante	Manager – Compliance Audit Program	NPCC
Rosanna Jimenez	Regional Coordinator	NERC

AES Thames LLC Audit Participants

Title	AES Thames
Mark Boucher – Vice –President	AES Thames LLC
Stan Brayton – Plant Engineer	AES Thames LLC

Audit Results

Findings

Reliability Standard	Finding
EOP-009-0	NA

Reliability Standard	Finding
FAC -008-1	Compliant
	Compliant

Reliability Standard	Finding
FAC-009-1	Compliant

Reliability Standard	Finding
IRO-004-1	Compliant

Reliability Standard	Finding
PRC-004-1	NA

Reliability Standard	Finding
PRC-005-1	Compliant

Reliability Standard	Finding
PRC-016-0	N/A

Reliability Standard	Finding
PRC-017-0	N/A

Reliability Standard	Finding
VAR-002-1	Compliant

Compliance Culture

The audit team reviewed the AES Thames' compliance culture. There is no formal compliance program in place. AES Thames follows written procedures that comply with the applicable NERC reliability standards. The procedures are periodically reviewed and updated as necessary. The regional entity compliance staff may review additional aspects of AES Thames' compliance culture. During all contacts, AES Thames' staff was professional in their approach to compliance and understood the importance of compliance and its role in maintaining reliability.