



NORTHEAST POWER COORDINATING COUNCIL, INC.  
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# **Compliance Audit Report Public Version**

**Arthur Kill Power LLC  
March 14 to March 25, 2008**

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

**March 26 2008**

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## Executive Summary

This final compliance audit report is the public version. Confidential information has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

The offsite compliance audit of Arthur Kill Power LLC (Arthur Kill) was conducted between March 14 and March 25, 2008. The audit was completed using data submitted by Arthur Kill and telephone and email data exchanges. The audit team evaluated Arthur Kill's compliance with sixteen 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 sixteen standards audited, fourteen were judged to be compliant and two were judged to be not applicable. Arthur Kill provided subject matter experts for each standard resulting in a more clear understanding of the Arthur Kill business model and accelerated the audit process. The evidence provided to demonstrate compliance was complete, thorough and well organized. The audit team would like to thank the Arthur Kill audit preparation team for the support offered through the audit.

## Audit Process

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.<sup>1</sup> The audit objectives are:

- Independently review Arthur Kill compliance with the requirements of the reliability standards that are applicable to Arthur Kill based on the Arthur Kill registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

The audit was completed using data submitted by Arthur Kill and telephone and email data exchanges. The audit team evaluated Arthur Kill's compliance with sixteen 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 sixteen standards audited, fourteen were judged to be compliant and two were judged to be not applicable, based on the data submitted in response to the audit request and further data provided as a result of follow up questions.

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

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.<sup>2</sup> The audit objectives are:

- Independently review Arthur Kill compliance with the requirements of the reliability standards that are applicable to Arthur Kill based on the Arthur Kill 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.

Document the Arthur Kill compliance culture.

### **Scope**

The audit included all standards identified in the December 19, 2007 audit letter for the previous year. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

### **Confidentiality and Conflict of Interest**

The audited entity was informed in advance of the audit that the independent contractors executed confidentiality agreements and code of conduct documentation was in place for the NERC representative and regional entity staff. Work history and conflict of interest forms submitted by each audit team member are on file in the NPCC corporate offices. 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 participants with no objections.

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<sup>2</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

### ***Off-site Audit***

Arthur Kill was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Arthur Kill more than 60 days in advance of the scheduled audit. This is an off site audit conducted every six years or as determined to be necessary by the region. Arthur Kill had not self reported any violations

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

### ***Methodology***

The audit team prepared reliability standards auditor worksheets (RSAWs) to evaluate each standard. The RSAW's are used to ensure consistency and to document evidence of compliance or non-compliance with the standards. All relevant documents are considered and to the extent they form portion of the audit trail are included in the RSAW's

### ***Audit Overview***

The audit overview was conducted at 3:00 PM March 10, 2008 via conference call. The auditor reviewed his career, his previous involvement with NRG, and noted he had signed confidentially agreements. A brief explanation of the audit process was given and the timelines were discussed. Arthur Kill was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest or they thought the auditor would not be impartial. Arthur Kill accepted the audit team.

### ***Audit***

Garth Arnott as the audit lead performed the audit off site. Prior to calls to Arthur Kill, the auditor developed a list of questions for Arthur Kill and asked the questions. Arthur Kill then took the time necessary to develop the answer and submitted them by email to the auditor.

### ***Exit Briefing***

The exit briefing was conducted by conference call on 3/26/08 between Garth Arnott of NPCC and Patricia Lynch, Scott Rahuba and Thomas Bishop of Arthur Kill. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that fourteen standards were judged to be compliant and two were judged to

be not applicable. Arthur Kill was given an opportunity to question the audit findings and provide comment on the audit. Arthur Kill had no additional comments.

### **Company Profile**

Arthur Kill Power LLC is the company subject to this NPCC off site audit and is an affiliate of NRG Energy Inc. NRG Energy Inc. owns and operates a diverse portfolio of power generating facilities, primarily in Texas, Louisiana, California and the Northeastern section of the United States. Its operations include base load, intermediate, peaking, and cogeneration facilities and thermal energy production primarily using fossil fuels for production. NRG also has ownership interests in generating facilities in Australia, Germany and Brazil. A Regional President that reports to the CEO of NRG Energy Inc leads each region.

Arthur Kill Power LLC is located in the NRG's Northeast region and is registered as owner and operator of the Arthur Kill Generating Facility located in Staten Island, New York within the jurisdiction of the Northeast Power Pool Coordinating Council (NPCC). Operations of this facility also are under the Executive Vice President of Plant Operations (see holdings charts and matrix organization charts). There are 2 natural gas fired steam turbine generator units and one natural gas fired combustion turbine with a total net unit capacity of 841MWs at the Arthur Kill facility. This facility operates within the footprint of the New York Independent System Operator (BA) and connects to the Bulk Electric System at the Consolidated Edison Co. of NY's (TO/TOP/local BA and RC) Fresh Kills substation. At this location, AK #2 connects to a 138 kV ring bus and AK3# interconnects to a 345 kV ring bus. AK#1 connects to a 13.8 kV internal distribution feeder within the plant facility. This feeder also connects to Con Edison's local distribution system.

The host Balancing Authority and Reliability Coordinator for this location is NYISO. However, NYISO has delegated local area control to Con Ed as the local BA and RC. Energy capacity, ancillary service, scheduling and dispatch for these units are provided through NRG Power Marketing Inc. located in Princeton, NJ.

### **Audit Specifics**

The compliance audit was conducted on March 14 to March 25, 2008 at the Auditors offices.

<b>Audit Team Role</b>	<b>Name</b>	<b>Title</b>	<b>Company</b>
Lead	Garth Arnott	Contracted Consultant	NPCC-Compliance

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<b>Audit Team Role</b>	<b>Name</b>	<b>Title</b>	<b>Company</b>
			Audit Program
Member	Sal Buffamante	Manager Compliance Audit Program	NPCC-Compliance Audit Program

Arthur Kill

<b>Name</b>	<b>Title</b>	<b>[Audited Entity] Organization</b>
Patricia Lynch	Director of Regulatory Compliance	Arthur Kill
Scott Rahuba	Technical Manager	Arthur Kill
Thomas Bishop	Plant Manager	Arthur Kill

## Audit Results

Arthur Kill provided a CD containing data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions conference calls were used to request additional documentation until the auditors were convinced that the standards and requirements had been met and Arthur Kill had demonstrated compliance.

After reviewing all the data Arthur Kill was judged to be compliant with fourteen standards and two were judged to be not applicable.

### **Findings**

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. This table can also include details summarizing auditor notes relating to evidence reviewed for reliability standard requirements for self-reported violations, ongoing mitigation plans, and other discussions.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
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

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
COM-002-2	R1.	Compliant
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
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.	Compliant
PRC-016-0	R2.	Compliant
PRC-016-0	R3.	Compliant
PRC-017-0	R1.	Compliant
PRC-017-0	R2.	Compliant
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
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***

The audit team reviewed Arthur Kill’s compliance culture. During all contacts Arthur Kill staff were professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability. The quality of the

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documentation demonstrates a high level of commitment to the audit process and the company should be congratulated.