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Compliance Audit Report Public Version

**Astoria Generating Company, L.P.
March 17 to March 20, 2008**

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

March 27 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 Astoria Generating Company, L.P. (AGC) was conducted between March 17 and March 20, 2008. The audit was completed using data submitted by AGC and telephone and email data exchanges. The audit team evaluated AGC'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, six were judged to be compliant and three were judged to be not applicable. AGC provided subject matter experts for each standard resulting in a more clear understanding of the AGC business model and accelerated the audit process. The evidence provided to demonstrate compliance was complete and well organized. The audit team would like to thank the AGC 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.¹ The audit objectives are:

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

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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.

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

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.² The audit objectives are:

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

Scope

The audit included all standards identified in the January 10, 2008 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.

Off-site Audit

AGC was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to AGC 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. AGC had not self reported any violations

² North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

The audit team leader requested interviews with AGC employees representing subject matter expertise regarding all of registered functions of AGC. 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 11:30 PM March 18, 2008 via conference call. The auditor reviewed his career and noted he had signed confidentially agreements. A brief explanation of the audit process was given and the timelines were discussed. AGC 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. AGC accepted the audit team.

Audit

Garth Arnott as the audit lead performed the audit off site. Prior to calls to AGC, the auditor developed a list of questions for AGC and asked the questions. AGC 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 3/27/08 between Garth Arnott of NPCC and Liam Baker of AGC. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that six standards were judged to be compliant and three were judged to be not applicable. AGC was given an opportunity to question the audit findings and provide comment on the audit. AGC had no comment at this time.

Company Profile

Astoria Generating Company, L.P. (AGC) is a wholesale power generation company that owns three power plants in New York City, within the service area of Consolidated

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Edison Company of NY, Inc. (ConEd). All of AGC's units connect directly into the ConEd system at various interconnection points.

AGC is registered as a Generation Owner (GO) and is under the NPCC Regional Reliability

Organization (RRO). Our member Balancing Authority (BA) and Reliability Coordinator (RC) is the NYISO and our local Transmission Owner (TO) is Consolidated Edison Co of NY, Inc. AGC does not own any transmission, other than our interconnection facilities.

The parent company of AGC is US Power Generating Company, Inc (USPG) which has its

corporate headquarters in New York City. USPG is a holding company that also owns an independent wholesale power generating company, Boston Generating, LLC, located in the Boston, MA area, within the NEISO area. AGC and Boston Gen companies each have a Vice President and General Manager who is responsible for the day-to-day management of each respective company. Each AGC plant has a full complement of Operations and Maintenance staff that support their respective facility. The AGC staff is independent of Boston Gen.

In addition to the plant staffs, USPG has several groups in the corporate office that provide operational support to both AGC and Boston Gen assets. The corporate support groups are Corporate Engineering, Commercial Operations and IT. USPG and its subsidiaries are privately held companies.

Audit Specifics

The compliance audit was conducted on March 17 to March 20, 2008 at the Auditors offices..

Audit Team Role	Name	Title	Company
Lead	Garth Arnott	Contracted Consultant	NPCC-Compliance Audit Program
Member	Sal Buffamante	Manager Compliance Audit Program	NPCC-Compliance Audit Program
Observer	Robert Kenyon	Regional Coordinator	NERC

AGC

Name	Title	[Audited Entity] Organization
Liam Baker	Regulatory Affairs Manager	AGC
Bohdan Dakow	Corporate Engineer	AGC

Audit Results

AGC provided emails 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 AGC had demonstrated compliance.

After reviewing all the data AGC was judged to be compliant with six standards and three 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.

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

Compliance Culture

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The audit team reviewed AGC's compliance culture. The regional entity compliance staff may review additional aspects of AGC's compliance culture. During all contacts AGC staff were professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.