



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

**Black River Generation, LLC
NCR07019**

May 9 to May 22, 2008

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

May 22 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 Black River was conducted between May 9 and May 22, 2008. The audit was completed using data submitted by Black River and telephone and email data exchanges. The audit team evaluated Black River'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, thirteen were deemed to be applicable; of the remaining standards all thirteen were judged to be compliant.

Black River provided subject matter experts for each standard resulting in a more clear understanding of the Black River business model and accelerated the audit process. The evidence provided to demonstrate compliance required extensive requests for additional information and evidence. Black River audit team was aggressively responsive once they understood the scope of the information required. The audit team would like to thank the Black River 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 Black River's compliance with the requirements of the reliability standards that are applicable to Black River based on the Black River 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 Black River and telephone and email data exchanges. The audit team evaluated Black River'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 (three of the standards were deemed to be not applicable to Black River), thirteen were judged to be compliant based on the data submitted in response to the audit request and further data provided as a result of follow up questions.

¹ 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.² The audit objectives are:

- Independently review Black River's compliance with the requirements of the reliability standards that are applicable to Black River based on the 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 Black River's compliance culture.

Scope

The audit included all standards identified in the December 14, 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

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staffs were provided to the audited entity in advance of the 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 participants with no objections.

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

Off-site Audit

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

The audit team leader requested interviews with Black River employees representing subject matter expertise regarding all of registered functions of Black River. 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 1:00 PM May 9, 2008 via conference call. The auditor reviewed his career and noted that he had signed a confidentially agreement. A brief explanation of the audit process was given and the timelines were discussed. Black River was given the opportunity to reject either auditor should they feel that there was a possible conflict of interest or they thought the auditors would not be impartial. Black River accepted the audit team.

Audit

The audit was performed off site by John Brannan as the auditor. Prior to calls to Black River the auditor developed a list of questions for them to answer. Black River then took the time necessary to develop the answer and submitted them by email to the auditors.

Exit Briefing

The exit briefing was conducted via conference call on 5/22/08. The teleconference was between John Brannan of NPCC and Jeremy Snyder and Peter Lister of Black River. NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Black River was judged to be compliant with thirteen of the

sixteen standards, however three of the standards were deemed to be not applicable to Black River.

Black River was presented an opportunity to question the audit findings and provide comment on the audit. Black River representatives reported that the audit process was most informative.

Company Profile

Black River Generation, LLC (BRG) is located in Leray, NY on the Fort Drum Army Base. The BRG facility is a 55 MW base loaded power plant that consists of three Ahlstrom Pyropower circulating fluidized bed (CFB) boilers that are permitted to burn coal, residual oil, wood, petroleum coke, and tire derived fuel (TDF). The current fuel blend consists of 68% bituminous coal, 25% Pet Coke and 7% Tire Derived Fuel.

BRG has a synchronous connection of 115KV at one location with National Grid (transmission operator) with the balancing authority being NYISO. The BRG system consists of a single generator outputting 13,800 volts which is stepped up to 115,000 Volts prior to the tie in with National Grid. BRG own and maintains 1 mile of 115KV overhead wiring system. The peak load reported using a 24 hr average was 56.551 MW on 11/12/07.

BRG and PurEnergy have a long-term lease with the United States Army and are responsible for the operational and maintenance performance of the plant. PurEnergy L.L.C., head quartered in Syracuse, NY, is a privately held firm that was formed in 1995. The company manages and operates numerous power generation facilities across the United States.

Audit Specifics

The compliance audit was conducted from March 17 to April 7, 2008 at the office of John Brannan Consulting LLC in Hicksville, New York.

Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

Black River

Title	[Audited Entity] Organization
Plant Engineer	Black River
Plant Manager	Black River
Maintenance Manager	Black River
Director of Environmental Affairs	Pure Energy LLC

Audit Results

Black River 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 auditor was convinced that the standards and requirements had been met and Black River had demonstrated compliance.

The following procedures required revision:

- SOP 0304-101 was revised prior to the end of the audit to prioritize the RC and the TO in the notification process. Telephone numbers for the RC and the TO were changed to reflect Operating Position telephone numbers; the Operating Position telephone numbers had been correctly listed in the control room.
- SOP 0304-102 was revised prior to the end of the audit to change the listed 7 year interval to a 6 year periodicity for relay testing; the actual testing was being done on a 3 year basis.

Findings

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
CIP-001-1	R1	Compliant ³
	R2	Compliant

³ SOP 0304-101 was revised prior to the end of the audit to prioritize the RC and the TO in the notification process. Telephone numbers for the RC and the TO were updated to reflect operating position numbers.

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Reliability Standard	Requirement	Finding
	R3	Compliant
	R4	Compliant
COM-002-2	R1	Compliant
EOP-004-1	R2	Compliant
	R3	Compliant
EOP-009-0	R1	Not Applicable
	R2	Not Applicable
FAC-008-1	R1	Compliant
	R2	Compliant
	R3	Not Applicable
FAC-009-1	R1	Compliant
	R2	Not Applicable
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
PRC-004-1	R2	Compliant
	R3	Not Applicable
PRC-005-1	R1	Compliant ⁴
	R2	Compliant
PRC-016	R1 – R3	Not Applicable
PRC-017	R1 – R3	Not Applicable
TOP-002-2	R3	Compliant
	R13	Compliant
	R14	Compliant
	R15	Compliant
	R18	Compliant
TOP-003-0	R1	Compliant
	R2	Compliant
	R3	Compliant
VAR-002-1	R1	Compliant
	R2	Compliant
	R3	Not Applicable
	R4	Compliant
	R5	Not Applicable

⁴ SOP 0304-102 was revised during the audit period to change the listed 7 year interval to a 6 year periodicity for relay testing; the actual testing was being done on a 3 year basis.

Compliance Culture

The audit team reviewed the Black River compliance culture. The regional entity compliance staff may review additional aspects of the Black River compliance culture. During all contacts with the Black River staff they acted professionally in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.