



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

**Boston Generating Company, L.L.C.**  
**NCR07020**

**May 10 to May 14, 2008**

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

**March 11, 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 Boston Generating Company, L.L.C. (BG) was conducted between May 10 and May 14, 2008. The audit was completed using data submitted by BG and telephone and email data exchanges. The audit team evaluated BG's compliance with three 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 three standards audited, two were judged to be compliant and one was judged to be not applicable. BG provided subject matter experts for each standard resulting in a more clear understanding of the BG 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 BG 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 BG compliance with the requirements of the reliability standards that are applicable to BG based on the BG 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 BG and telephone and email data exchanges. The audit team evaluated BG'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, 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.

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<sup>1</sup> 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.<sup>2</sup> The audit objectives are:

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

## **Scope**

The audit included all standards identified in the February 11, 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**

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

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

The audit team leader requested interviews with BG employees representing subject matter expertise regarding all of registered functions of BG. 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 11:00 May 12, 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. BG 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. BG accepted the audit team.

### ***Audit***

Garth Arnott as the audit lead performed the audit off site. Prior to calls to BG, the auditor developed a list of questions for BG and asked the questions. BG 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 May 13, 2008 between Garth Arnott of NPCC and Bohdan Dakow of BG. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that two standards were judged to be compliant and one was judged to be not applicable. BG was given an opportunity to question the audit findings and provide comment on the audit. BG said they had no comment at this time.

### ***Company Profile***

Boston Generating, LLC (BG) is a wholly-owned subsidiary of EBG Holdings. BG also owns two non-jurisdictional companies that provide operations and maintenance services to the Boston Gen Project Companies. The Boston Gen Project Companies sell power at market-based rates in the ISO New England Inc. (ISO-NE) market. Mystic 1 LLC owns and operates two generating facilities (Mystic Jet and Mystic Unit 7) with nominal winter capacities of 11 and 565 megawatts (MWs) respectively. Mystic Development owns two nominal 800 MW generating facilities (Mystic Units 8 and 9). The Mystic units are

located in Everett, Massachusetts. Fore River Development LLC owns a nominal 800 MW facility (Fore River) located in Weymouth, Massachusetts.

The parent company of EBG Holdings 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, Astoria Generating Company, LP, located in the New York, NY area, within the NYISO area. Boston Generating has a Vice President and two General Managers responsible for the day to day management of the company. Each BG plant has a full complement of Operations and Maintenance staff that support their respective facility. In addition to the plant staffs, BG has financial, operations and IT support groups that work in conjunction with engineering, commercial operations, and IT personnel from USPG to support the BG generating units.

BG is registered as a Purchasing –Selling Entity (PSE) and is under the NPCC Regional Reliability Organization (RRO). Our member Balancing Authority (BA) and Reliability Coordinator (RC) is the ISO-NE and our Transmission Operator (TO) and Local Control Center is NSTAR. BG does not own any transmission, other than our interconnection facilities.

### ***Audit Specifics***

The compliance audit was conducted on May 10 to May 14, 2008 at the Auditors offices.

Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

### **BG**

<b>Title</b>	<b>[Audited Entity] Organization</b>
Vice President Regulatory Affairs	BG
Corporate Engineer	BG

## **Audit Results**

### **Findings**

BG 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 BG had demonstrated compliance.

After reviewing all the data BG was judged to be compliant with two standards and one was judged to be not applicable.

INT-004-1	R1.	N/A
INT-004-1	R2.	N/A
IRO-001-1	R8.	Compliant
VAR-001-1	R1.	Compliant

### **Compliance Culture**

The audit team reviewed BG's compliance culture. The regional entity compliance staff may review additional aspects of BG's compliance culture. During all contacts BG staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability. The compliance staff operates at a high level within the corporation.