



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

Capital District Energy Center Cogeneration Associates NCR07026

June 26-July 9, 2008

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

July 16, 2008

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Executive Summary

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.

The offsite compliance audit of **Capital District Energy Center Cogeneration Associates** was conducted between June 26 and July 11, 2008. Additional information was submitted by **Capital District Energy Center Cogeneration Associates** on July 9, 2008. The audit was completed using data submitted by **Capital District Energy Center Cogeneration Associates** email data exchanges. The audit team evaluated **Capital District Energy Center Cogeneration Associates** 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, all were judged to be compliant or not applicable. CDECCA provided subject matter experts for each standard resulting in a more clear understanding of the CDECCA business model and accelerated the audit process. The audit team would like to thank the CDECCA audit preparation team for the support offered through the audit.

Audit Process

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. The following chart is a listing of the compliance requirements for a GO and GOP. CDCCA registered as a PSE in May 2008 with NPCC. The audit did not cover the compliance requirements for a PSE.

	GO	GOP
Standard Number	Requirement Number	Requirement Number
BAL-005-0		R1.
CIP-001-1		R1, R2, R3, R4
COM-002-2		R1.
EOP-004-1		R2, R3.
EOP-009-0	R2.	R1, R2
FAC-008-1	R1, R2	
FAC-009-1	R1, R2	
IRO-001-1		R8.
IRO-004-1	R4.	R4.
PRC-004-1	R2, R3	
PRC-005-1	R1, R2	
PRC-016-0	R1, R2, R3	
PRC-017-0	R1, R2	
TOP-002-2		R3, R13, R14, R15, R18
TOP-003-0		R1, R2, R3
VAR-002-1	R4, R5	R1, R2, R3, R5

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 of **Capital District Energy Center Cogeneration Associates** compliance with the requirements of the reliability standards that are applicable to **Capital District Energy Center Cogeneration Associates** based on the **Capital District Energy Center Cogeneration Associates** registered functions as of April 30, 2008.
- 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.

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

- Document the **Capital District Energy Center Cogeneration Associates** compliance culture.

Scope

A compliance audit will generally include all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years, and may include other reliability standards applicable to the Registered Entity. The scope of a compliance audit is scheduled as part of a regular, periodic scheduled audit. For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past 12 months or periods specified in individual reliability standards.

Confidentiality and Conflict of Interest

Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and Regional Entity staff 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.

Off-site Audit

The notice of the audit was sent on February 25, 2008 to John Bobenic, President and CEO for Maxim Power Corp. notifying him of the schedule for the Compliance Audit as a Generation Owner on June 23, 2008. Attached to the letter was the following information to assist Mr. Bobenic 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:

	GO	GOP
Standard Number	Requirement Number	Requirement Number
BAL-005-0		R1.
CIP-001-1		R1, R2, R3, R4
COM-002-2		R1.
EOP-004-1		R2, R3.
EOP-009-0	R2.	R1, R2
FAC-008-1	R1, R2	
FAC-009-1	R1, R2	
IRO-001-1		R8.
IRO-004-1	R4.	R4.
PRC-004-1	R2, R3	
PRC-005-1	R1, R2	
PRC-016-0	R1, R2, R3	
PRC-017-0	R1, R2	
TOP-002-2		R3, R13, R14, R15, R18
TOP-003-0		R1, R2, R3
VAR-002-1	R4, R5	R1, R2, R3, R5

Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Each auditor and audit organization exercises professional judgment in planning and performing an audit or attestation engagement, it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit, but rather identifying, considering, minimizing, mitigating, and explaining them.

Methodology

The auditing standards and best practices that are to be followed by compliance auditors in carrying out their work are described in the Compliance Auditor Manual. The criteria are objective, measurable, complete and relevant to the audit objectives. The auditor identified potential sources of audit evidence and considers the amount and type of evidence needed given the risk and significance when defining the audit methodology.

Audit Overview

The audit overview conference call was conducted on June 30, 2008 with Michael Baier, Plant Manager and Michael Calimano the NPCC auditor assigned to this audit. This call was an opportunity for the lead auditor to specify audit expectations including expected behavior of Registered Entity management.

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 CDECCA 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 CDECCA on July 7, 2008 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 July 18, 2008. The meeting was attended by Michael Calimano of NPCC, Rosanna Jimenez of NERC and Michael Baier and Susan Flash of Purenergy LLC, and Heather Regnier of Maxim Power Corp. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that all sixteen standards were judged to be compliant or not applicable. CDECCA was given an opportunity to question the audit findings and provide comment on the audit.

Company Profile

Capital District Energy Center Cogeneration Associates (CDECCA) is a 56 MW cogeneration facility located in downtown Hartford, Connecticut, 3 blocks from the State Capitol.

Pawtucket's Holdings Company LLC, a subsidiary of Maxim Power Corp. acquired the facility from El Paso in October 2006 and contracted Purenergy Operating Services LLC as the O&M operator for the facility. Purenergy LLC headquartered in Syracuse, NY is a privately held firm that was formed in 1995. The company manages numerous power generation facilities across the United States.

The facility is rated at 56 MW net and can produce 150,000 lbs/hr. of process steam. The facility offers its generation into the ISO-NE day ahead market as a merchant facility. In addition, the facility is contracted for the maximum of 70,000 lbs.hr of heating steam for Atena offices and Energy Networks, Inc. (ENI). The district heating and cooling system in Hartford, receives up to 80,000 lbs.hr of steam and 5, 400 tons of chilled water from the facility.

CDECCA is a combined cycle cogeneration facility utilizing a gas turbine, heat recovery steam generator and a single extraction condensing steam turbine. In addition, (2) 900 ton absorption chillers and (2) 1800 ton centrifugal chillers supply ENI's chilled water requirements. For backup conditions, when the gas turbine is off line, a 150,000 lb/hr auxiliary boiler is available. All systems in the facility are dual fuel capable. Natural gas is the primary fuel with #2 fuel oil as the backup supply.

CDECCA has a synchronous connection to the 115 kV going first to the Capitol Ave. tap and then to two locations; first, the South West Hartford Substation and second to the North West Hartford Substation. The 115 kV lines are in the ISO-NE RC, BA & TOP regional area with Northeast Utilities being the TO. The facility provides the grid with energy from two generators at 13.8 kV, which is stepped up to the 115 kV, leaving the facility.

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Audit Specifics

The compliance audit was conducted by Michael Calimano on June 30,, 2008 at NPCC offices at 1515 Broadway, New York, New York 10036

Audit Team

Title	Company
Manager - Compliance	NPCC
Auditor	Contract Consultant

Capital District Energy Center Cogeneration Associates Audit Participants

Plant Manager
Director of Environmental Affairs

Audit Results

CDECCA submitted detailed responses to the pre-audit questionnaire as well as the page 4 of the appropriate RSAW in both hard copy and on a CD. Additional evidence was included such as the procedures, maintenance and testing results of equipment and screen shots from data submitted to the RC. In response to questions raised by the auditor, an e-mail with associated responses to the questions was sent on July 8, 2008.

Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2008 Implementation Plan.

Contains Confidential Information (including Privileged and
Critical Energy Infrastructure Information) – Do Not Distribute

Reliability Standard	Requirement	Finding
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
COM-002-2	R1.	Compliant
EOP-004-1	R2.	N/A
EOP-004-1	R3.	N/A
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	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.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
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 the Capital District Energy Center Cogeneration Associates compliance culture. There is no formal compliance program in place. CDECCA 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 CDECCA's compliance culture. During all contacts, CDECCA's staff were professional in their approach to compliance and understood the importance of compliance and its role in maintaining reliability.

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