



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

**Cogen Technologies Linden Venture L.P  
NCR07042**

**September 23 to October 02, 2008**

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

**June 24, 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 off-site compliance audit of Cogen Technologies (CTLV) was conducted between September 23 and October 2, 2008. The audit was completed using data submitted by CTLV prior to the audit and data acquired through telephone calls and email responses to questions.

The audit team evaluated CTLV'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. CTLV provided subject matter experts for each standard resulting in a more clear understanding of the CTLV 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 CTLV 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.

### **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>1</sup> The audit objectives are:

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

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

### **Scope**

The audit included all standards identified in the June 24, 2008 audit letter for the previous year. The audit was a regularly scheduled audit; there were no self reported violations. No 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**

CTLV was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to CTLV 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.

The audit team leader requested interviews with CTLV employees representing subject matter expertise regarding all of registered functions of CTLV. 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 9:30 AM September 23, 2008 via conference call. The auditor reviewed his career and noted he had signed confidentiality agreements. A brief explanation of the audit process was given and the timelines were discussed. CTLV 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. CTLV accepted the audit team.

### ***Audit***

Garth Arnott as the audit lead performed the audit off site. Prior to calls to CTLV, the auditor developed a list of questions for CTLV and asked the questions. CTLV 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 October 2, 2008 between Garth Arnott of NPCC and Paul Franzetti of CTLV. 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 was judged to be not applicable. CTLV was given an opportunity to question the audit findings and provide comment on the audit. CTLV said they thought the process was very professional and although it had been a lot of work it was a beneficial process.

### ***Company Profile***

Cogen Technologies Linden Venture L.P. (CTLV) is a cogeneration facility located in the Bayway Refining Complex in Linden, New Jersey.

CTLV is a Delaware limited partnership. The limited partner and general partner of the partnership are both indirectly owned by affiliates of General Electric Capital Corporation (“GECC”), a Delaware corporation. GE Energy Financial Services, Inc., a Delaware corporation and an affiliate of GECC provides management oversight for the CTLV. Operations and maintenance services are provided by GE Contractual Services, Inc., an indirect subsidiary of General Electric Company and an affiliate of GECC.

The site consists of five gas turbine and three steam turbine generators that have an approximate output capacity of 750 MW-summer and 800 MW-winter. Primary fuel for the site is natural gas and secondary fuel is butane. CTLV sells electric power to Consolidated Edison under the provision of a Power Purchase Agreement and is also contracted to supply steam to the Bayway Refinery owner by the ConocoPhillips Company.

The facility has one interconnection point at 345 kV with Con Edison’s Goethals substation located in Staten Island, NY through a 1.5 mile underground transmission cable.

The Northeast Power Coordinating Council (NPCC) is the Regional Reliability Organization and the New York Independent System Operator (NYISO) is the Balancing Authority/Transmission Operator for CTLV. Communications between NYISO and CTLV are handled through Con Edison as the interconnected Transmission Owner. The facility is registered with NERC as Cogen Technologies Linden Venture L.P. NCR07042, as a Generator Owner and Generator Operator

### **Audit Specifics**

The compliance audit was conducted between September 23 and October 2, 2008 at the auditor's offices

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

### **BED**

<b>Title</b>	<b>[Audited Entity] Organization</b>
Vice President	CTLV
Asset Manager	CTLV

## **Audit Results**

CTLV provided a binder and 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 CTLV had demonstrated compliance.

After reviewing all the data CTLV was judged to be compliant with fourteen standards and two was 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

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
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-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 CTLV's compliance culture. The regional entity compliance staff may review additional aspects of CTLV's compliance culture. During all contacts CTLV staff was

professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.