



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

Connecticut Light & Power Company
(CL&P)
NCR07044

December 03 to December 11, 2008

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

December 11, 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 CL&P was conducted between December 3rd and December 11th, 2008. The audit was completed using data submitted by CL&P and telephone and email data exchanges. The audit team evaluated CL&P's compliance with twenty-two 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 twenty-two standards audited, eight were deemed to be not applicable to CL&P; of the fourteen remaining standards, all were judged to be compliant.

CL&P provided subject matter experts for each standard resulting in a more clear understanding of the CL&P business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence. The CL&P audit team responded to all requests for additional information in a timely and clear manner; the presentation and content of the original and follow up information was professionally done. The auditor would like to acknowledge the CL&P team for the support they offered throughout the audit by not only providing quality evidence, which included excellent content and ease of location, but also by providing a quick turnaround in responding to the requests.

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 CL&P's compliance with the requirements of the reliability standards that are applicable to CL&P based on the CL&P's 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 CL&P and telephone and email data exchanges. The audit team evaluated CL&P's compliance with twenty-two 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.

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

Of the twenty-two standards audited (eight of the standards were deemed to be not applicable to CL&P), fourteen 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.

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 CL&P's compliance with the requirements of the reliability standards that are applicable to CL&P 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 CL&P's compliance culture.

Scope

The audit included all standards identified in the June 25th, 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

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. 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

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

impartial performance of duties. The audited entity accepted the audit team member participants with no objections.

Off-site Audit

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

The audit team leader requested that CL&P employees representing subject matter expertise regarding all of registered functions of CL&P be made available for interviews should the need arise. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.39 places responsibility on each auditor and audit organization to exercise 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 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 December 3rd, 2008 via conference call. Attending the conference call were representatives from NPCC and CL&P. 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. CL&P was given the opportunity to reject the auditors should they feel that there was a possible conflict of interest or they thought the auditors would not be impartial. CL&P accepted the audit team.

Audit

The audit was performed off site by NPCC Staff. The auditor developed a list of questions for CL&P to answer; the list was then sent to CL&P for their review, after which follow-up conference calls were arranged in order to jointly review the list of questions. CL&P then took the time necessary to develop the answer and submitted them by email and via teleconference calls to the auditor.

Exit Briefing

The exit briefing was conducted via conference call at 1:00 PM 12/11/2008. The teleconference was between representatives of NPCC Staff and CL&P. NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, CL&P was judged to be compliant with fourteen of the twenty-two standards. However, eight of the standards were deemed to be not applicable to CL&P.

The auditor suggested that the sabotage recognition and response guidelines be augmented to include more details for the recognition of sabotage events, particularly for the field operation personnel. Another suggestion was to include a date and history of revisions on all of their Procedures.

CL&P was presented an opportunity to question the audit findings and provide comment on the audit. CL&P representatives thanked the audit team for the suggestions that were set forth to CL&P; they stated that these would be helpful in their continuing effort of moving to excellence both in operations and compliance.

Company Profile

Northeast Utilities (NU) is the owner of Transmission and Distribution electric systems within the three-state region of Connecticut, New Hampshire and Western Massachusetts. Northeast Utilities is a Fortune 500 energy company, which operates New England's largest energy distribution system, serving more than 2 million electricity and natural gas customers. NU owns and operates one natural gas and three electric utility companies, the Connecticut Light and Power Company (CL&P), Western Massachusetts Electric Company (WMECO) and Public Service Company of New Hampshire (PSNH). Each electric utility owns transmission and distribution facilities in their respective states and PSNH owns and operates regulated electric generating facilities in New Hampshire. CL&P has a service area that stretches the width of Connecticut, which is bordered by New York, Massachusetts, and Rhode Island, and covers about 4,400 square miles. CL&P delivers energy to more than 1.2 million customers in 149 communities in Connecticut. CL&P is part of the Northeast Utilities System (NYSE: NU).

Audit Specifics

The compliance audit was conducted from December 3rd to 11th, 2008 at the offices of the NPCC Audit Staff.

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

CL&P

Title	Organization
Senior Analyst, Reliability Compliance Department	CL&P
Senior Engineer, Reliability Compliance Department	CL&P
Senior Engineer, Reliability Compliance Department	CL&P

Audit Results

CL&P 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 they were convinced that the standards and requirements had been met and CL&P had demonstrated compliance.

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Critical Energy Infrastructure Information) Has Been Removed

Findings

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
CIP-001-1	R1	Compliant
	R2	Compliant
	R3	Compliant
	R4	Compliant
EOP-002-2	R9	Not Applicable
EOP-004-1	R2	Not Applicable
	R3	Not Applicable
FAC-003-1	R1	Compliant
	R2	Compliant
	R3	Not Applicable
FAC-008-1	R1	Compliant
	R2	Not Applicable
	R3	Not Applicable
FAC-009-1	R1	Compliant
	R2	Compliant
INT-001-2	R1	Not Applicable
INT-004-1	R1	Not Applicable
	R2	Not Applicable
IRO-001-1	R8	Not Applicable
IRO-004-1	R4	Compliant
PRC-004-1	R1	Compliant
	R3	Compliant
PRC-005-1	R1	Compliant
	R2	Not Applicable
PRC-008-0	R1	Compliant
	R2	Compliant
PRC-010-0	R1	Not Applicable
	R2	Not Applicable
PRC-011-0	R1	Not Applicable
	R2	Not Applicable
PRC-016	R1	Compliant
	R2	Not Applicable
	R3	Not Applicable

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Reliability Standard	Requirement	Finding
PRC-017	R1	Compliant
	R2	Compliant
PRC-021	R1	Not Applicable
	R2	Not Applicable
TOP-002-2	R3	Compliant
	R18	Compliant
TOP-005-1	R4	Compliant
VAR-001-1	R5	Compliant

Compliance Culture

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