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Compliance Audit Report Public Version

**Connecticut Jet Power
NCR07043**

September 29-October 25, 2008

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

October 25, 2008

TABLE OF CONTENTS

Executive Summary 2

Audit Process 2

Objectives..... 4

Scope 5

Confidentiality and Conflict of Interest..... 5

On-site Audit 5

Methodology 7

Audit Overview..... 7

Audit..... 7

Exit Briefing..... 7

Company Profile 7

Audit Specifics 8

Audit Results 8

Findings..... 8

Compliance Culture 10

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 **Connecticut Jet Power** was conducted between September 29 and October 25, 2008. Additional information was submitted by **Connecticut Jet Power** on October 11th, 2008. The audit was completed using data submitted by **Connecticut Jet Power** email data exchange. The audit team evaluated **Connecticut Jet Power** 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. CONNECTICUT JET provided subject matter experts for each standard resulting in a more clear understanding of the CONNECTICUT JET'S business model and accelerated the audit process. The audit team would like to thank the CONNECTICUT JET'S 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.

	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 **Connecticut Jet Power** compliance with the requirements of the reliability standards that are applicable to **Connecticut Jet Power** based on the **Connecticut Jet Power** registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.

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

- 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 **Connecticut Jet Power** 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 July 8th, 2008 to Patricia Lynch, Director of Regulatory Compliance at NRG notifying her of the schedule for the Compliance Audit as a Generation Owner on September 29, 2008. Attached to the letter was the following information to assist Ms. Lynch in her 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 October 9, 2008 with Patricia Lynch, Director of Regulatory Compliance 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 CONNECTICUT JET 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 CONNECTICUT JET'S on October 10 and 11, 2008 seeking clarifications and additional documentation needed to complete the audit. Additional information was sent to the auditor via e-mail on a timely basis by the company in response to the outstanding questions.

Exit Briefing

The exit briefing was conducted by conference call on October 28, 2008. The meeting was attended by Michael Calimano of NPCC, Rosanna Jimenez of NERC, Patricia Lynch and J. Dion of NRG. 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. CONNECTICUT JET was given an opportunity to question the audit findings and provide comment on the audit.

Company Profile

Connecticut Jet Power LLC is the company subject to this NPCC off site audit and is an affiliate of NRG Energy Inc., its parent company. NRG Energy Inc. owns and operates a diverse portfolio of power generating facilities, primarily in Texas, Louisiana, California and the Northeastern section of the United States. Its operations include base load, intermediate, peaking, and cogeneration facilities and thermal energy production primarily using fossil fuels for production. NRG also has ownership interests in generating facilities in Australia, Germany and Brazil. Each region is led by a Regional President that reports to the CEO of NRG Energy Inc.

Connecticut Jet Power Compliance Audit Report
October 25, 2008

Connecticut Jet Power LLC is registered as a Generator Owner and Generator Operator under the NERC Compliance Registry Criteria. Connecticut Jet Power LLC facilities are located in the NRG's Northeast region. The facilities are 4 remote gas turbine sites at Franklin, Torrington, Branford and Cos Cob located in southeastern Connecticut within the jurisdiction of the Northeast Power Pool Coordinating Council (NPCC). There are 8 non-synchronous kero fired turbine generator units with a total net nameplate capacity of 180 MWs at the various facilities. This facility operates within the footprint of the Independent System Operator of New England ISO-NE (BA) and connects to the Bulk Electric System at the Connecticut Light and Power (TO) substations located in Branford, Torrington and Greenwich. Branford 10 connects to the 23 kV section at Branford whereas Franklin Drive 19U connects to 13.8kV and Torrington Terminal 8A connects at the 69 kV section in Torrington. Finally, Cos Cob U10, U11, U12, U13 and U14 connect to the CL&P substation in Cos Cob at 115 kV.

The host Balancing Authority and Reliability Coordinator for this location is ISO-NE. However, ISO-NE has delegated local area control to CONVEX (an affiliate of Northeast Utilities) as the local TOP. Energy capacity, ancillary service, scheduling and dispatch for these units are provided through NRG Power Marketing Inc. located in Princeton, NJ.

Audit Specifics

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

Audit Results

CONNECTICUT JET'S has submitted responses to the pre-audit questionnaire as well as the page 4 of the appropriate RSAW 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 TO. In response to questions raised by the auditor, an e-mail with associated responses to the questions was sent on October 11, 2008.

Findings

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

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

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Has Been Removed

Reliability Standard	Requirement	Finding
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.	Compliant
EOP-009-0	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	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.	N/A
VAR-002-1	R5.	N/A

Compliance Culture

For the purposes of the audit, information on the compliance structure, responsibilities and oversight, or process were not requested for review and assessment. Connecticut Jet Power LLC, as an NRG subsidiary, is part of the NRG Energy Inc. Corporate Compliance Program as well as its Regulatory Compliance Program. Both programs are substantive in nature. The Corporate Compliance program starts with a Code of Conduct that addresses regulatory compliance head-on as well as topics such as insider trading, the Foreign Corrupt Practice Act, political donations, conflicts of interest, corporate opportunity, and an employee's personal behavioral commitment to NRG. Also included is a third-party administered Hotline and ethics email address. The Chief Compliance Officer reports to that Audit Committee of the Board of Directors and makes at least quarterly presentations to that Committee.

The Regulatory Compliance Program consists of six professionals – three of which focus on plant operations, one who focuses on commercial operations and commodities, an analyst, and the Chief Compliance Officer. This team drafts policies, assists with training, provides interpretive guidance, conducts investigations, assesses compliance activities and works with the plants to prepare for audits.

In addition, the submitted evidence demonstrates an active Regulatory Compliance Program. Many of the standards show monthly, quarterly, or annual self assessments by the entity as well as evidence of corporate policies and procedures that govern compliance to the NERC standards.