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Compliance Audit Report Public Version

Dominion Energy New England, Inc.
NCR07063

October 24 to November 21, 2008

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

11/21/2008

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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 Dominion Energy New England was conducted between October 24 and November 21, 2008. The audit was completed using data submitted by Dominion Energy New England and telephone and email data exchanges. The audit team evaluated Dominion Energy New England'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, four were deemed to be non-applicable; the remaining five standards were judged to be compliant.

Dominion Energy New England provided a subject matter expert for each standard resulting in a more clear understanding of the Dominion Energy New England business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence. The Dominion Energy New England audit team responded to requests for further information in an expeditious manner. The audit team would like to thank the Dominion Energy New England team for the support offered throughout 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.¹ The audit objectives are:

- Independently review Dominion Energy New England's compliance with the requirements of the reliability standards that are applicable to them based on their 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 Dominion Energy New England and information via email data exchanges. The audit team evaluated Dominion Energy New

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

England'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 (four of the standards were deemed to be not applicable to Dominion Energy New England), five 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 Dominion Energy New England's compliance with the requirements of the reliability standards that are applicable to them based on their 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 Dominion Energy New England's compliance culture.

Scope

The audit included all standards identified in the August 6, 2008 audit letter for the previous year. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

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

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

Off-site Audit

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

The audit team leader requested that Dominion Energy New England employees representing subject matter expertise regarding all of registered functions of Dominion Energy New England be made available for interviews should the need arise. These interviews, in conjunction with submitted 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 11:00 AM October 24, 2008 via conference call. The teleconference was between representatives of NPCC, Dominion Energy New England and NERC. The auditors reviewed their careers and noted that they had signed a confidentiality agreement. The Dominion Energy New England Audit Staff also shared their background with the NPCC auditors. A brief explanation of the audit process was given and the timelines were discussed. Dominion Energy New England was given the opportunity to reject any of the auditors should they feel that there was a possible conflict of interest or they thought that the auditors would not be impartial. Dominion Energy New England accepted the audit team.

Audit

The audit was performed off site by a team of NPCC auditors. The auditors reviewed the information submitted by Dominion Energy New England and then developed a list of questions and requests for further information; the list was then sent to Dominion Energy New England for their review. Dominion Energy New England then took the time necessary to gather the necessary information and submitted them by email to the auditor.

Exit Briefing

The exit briefing was conducted via conference call at 11:00 November 21, 2008. The teleconference was between the NPCC auditor team, representatives of Dominion Energy New England and NERC. The NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Dominion Energy New England was judged to be compliant with five of the nine standards, however four of the standards were deemed to be not applicable to Dominion Energy New England.

Dominion Energy New England was presented an opportunity to question the audit findings and provide comment on the audit. Dominion Energy New England representatives commented that they appreciated the thoroughness of the audit and thanked the audit team for their flexibility in combining the DENE, DEBP, DEMS and the DESH audits and performing them at the same time.

Company Profile

Dominion Energy New England, Inc (“DENE”) is a company incorporated in the Commonwealth of Massachusetts and a wholly owned subsidiary of Dominion Energy, Inc. DENE owns three generating stations in New England:

- Brayton Point Station, located in Somerset, MA, consists of three coal-fired generating units, one oil/gas-fired unit, and a 10 MW diesel unit for a total net summer capacity of 1,545 MW. Brayton Point is electrically located within the Southeastern Massachusetts Area (SEMA) load zone of the New England control area.
- Manchester Street Station, located in Providence, RI, is a combined cycle natural-gas fired generating facility consisting of three combustion turbines and three heat recovery steam generators for a total net summer capacity of approximately 450 MW. Manchester Street is electrically located within the Rhode Island load zone of the New England control area.
- Salem Harbor Station, located in Salem, MA consists of three coal-fired generating units and one oil/gas-fired unit for a total net summer capacity of 738 MW. Salem Harbor is electrically located within the North Eastern Massachusetts Area (NEMA) load zone of the New England control area.

DENE is registered with FERC as an exempt wholesale generator to produce and sell wholesale electric power into the New England competitive markets. DENE is functionally registered with NERC as a GO. The DENE generating stations are individually registered as GOPs.

The DENE facilities variously interconnect to the 115 kV and 345 kV bulk power grid through the transmission facilities of host Transmission Owner, New England Power Company (NEP), a subsidiary of National Grid USA. All transmission interconnections are the subject of separate Standard Large Generator Interconnection Agreements (LGIA) with NEP in accordance with the provisions of ISO New England’s (ISO-NE) FERC approved Open Access Transmission Tariff³. The LGIAs are approved filings with FERC. DENE does not own any transmission facilities that are part of the New England Bulk Electric System as defined under NPCC A-10 – Classification of Bulk Power System Elements.

Audit Specifics

³ FERC Electric Tariff No. 3 – ISO New England Inc. Transmission, Markets and Services Tariff.

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Critical Energy Infrastructure Information) Has Been Removed

The compliance audit was conducted from October 24 and November 21, 2008 at the offices of the NPCC Audit Staff.

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

Dominion Energy New England

Title	Organization
Manager, NEPOOL Operations	Dominion Energy New England Inc.

Audit Results

Dominion Energy New England provided data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation until the auditor was convinced that the standards and requirements had been met and Dominion Energy New England had demonstrated compliance.

Findings

Reliability Standard	Requirement	Finding
EOP-009-0	R2	Not Applicable
FAC-008-1	R1	Compliant
	R2	Not Applicable
	R3	Not Applicable
FAC-009-1	R1	Compliant
	R2	Compliant
IRO-004-1	R4	Compliant
PRC-004-1	R2	Not Applicable
	R3	Not Applicable
PRC-005-1	R1	Compliant
	R2	Not Applicable
PRC-016-0	R1 – R3	Not Applicable
PRC-017-0	R1 – R2	Not Applicable
VAR-002-1	R4	Compliant
	R5	Compliant

Compliance Culture

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