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# **Compliance Audit Report**

## **Public Version**

# **Fortistar North Tonawanda**

## **NCR07090**

**August 18 to August 27, 2009**

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

**8/27/2009**

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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 Fortistar North Tonawanda (FNT), NERC ID #NCR07090 was conducted between August 18 and August 27, 2009. At the time of the audit, FNT was registered for the GO function. The audit team evaluated FNT's compliance with 12 requirements in 6 NERC Reliability Standards in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan for the audit period of the current year and previous from June 18, 2007 unless a different retention period is specified in an individual reliability standard. Fortistar North Tonawanda submitted information and documentation to aid the audit team's evaluation of compliance with requirements and provided subject matter experts for the standards resulting in a more clear understanding of the Fortistar North Tonawanda business model, which helped accelerate the audit process. When the evidence provided to demonstrate compliance or non-applicability required additional requests for information and evidence, the Fortistar North Tonawanda team responded to these requests in an expeditious manner. The audit was conducted using the data submitted by Fortistar North Tonawanda as well as telephone and email data exchanges. The audit team reviewed and evaluated all information provided by Fortistar North Tonawanda to assess compliance with the standards applicable to the Generator Owner (GO) function.

The audit team evaluated Fortistar North Tonawanda on 12 requirements in 6 Reliability Standards. Based on the information and documentation provided by Fortistar North Tonawanda, the audit team found Fortistar North Tonawanda to be compliant with 9 of the 12 applicable requirements and 5 of the 6 applicable NERC Reliability Standards. The audit team determined that 3 requirements and 1 NERC Reliability Standard were not applicable to Fortistar North Tonawanda.

There were no ongoing or recently completed mitigation plans and, therefore, none were reviewed by the audit team.

All additional information requested was provided promptly and comprehensively. The audit team would like to thank the Fortistar North Tonawanda team for the support offered throughout 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 to:

- Independently review Fortistar North Tonawanda's compliance with the requirements of the reliability standards that are applicable to FNT based on Fortistar North Tonawanda's registered function.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards and additional NERC reliability standards selected by NERC.
- Validate compliance with applicable Regional Standards from the NPCC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications and confirm compliance with other requirements of the reliability standard.
- Review the status of associated mitigation plans.
- Observe and document FNT's compliance program and culture.

### **Scope**

The audit included all standards identified in the June 4, 2009 audit letter sent to Fortistar North Tonawanda at least 60 days prior to the scheduled audit. The audit was a regularly scheduled audit and no self-reported violations, made pre or post June 18, 2007, mitigation plans, previous audits, or compliance investigations were involved. There were no separate requests made by Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

At the time of the audit, FNT was registered for the GO function. The audit team evaluated FNT for compliance during the period of June 18, 2007 to August 27, 2009.

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

### ***Confidentiality and Conflict of Interest***

Confidentiality and Conflict of Interest of the audit team are governed under the Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. 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. 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***

Fortistar North Tonawanda was provided with a pre-audit request letter identifying the standards and requirements subject to audit for the Generator Owner (GO) function, which included FAC-008-1 R1, R2, R3; FAC-009-1 R1, R2; IRO-004-1 R4; PRC-004-1 R2, R3; PRC-005-1 R1, R2; PRC-017-0 R1, R2. The audit letter was sent to Fortistar North Tonawanda 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. Fortistar North Tonawanda had no self-reported violations, made pre or post June 18, 2007, no mitigation plans, previous audits or compliance investigations, and there were no requests made to the entity to supply information as it pertains to compliance other than for this audit.

The audit team leader requested that Fortistar North Tonawanda employees representing subject matter expertise regarding the registered function of Fortistar North Tonawanda be made available for interviews should the need arise. These interviews in conjunction with evidence submitted would then provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

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 audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

### ***Audit Overview***

The auditor conducted a conference call on Friday, August 21, 2009 with FNT. The auditor reviewed his career and noted that he had signed a confidentiality agreement. A brief explanation of the audit process was given and the audit timelines were discussed. The auditor stated that the auditors have the ability and authority to expand the audit beyond the initial set of the standards and requirements identified in the audit notification letter should the need arise. The auditor also stated that corroborating evidence from other entities might be required to substantiate Fortistar North Tonawanda's compliance.

Fortistar North Tonawanda was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest, any concerns regarding the auditor's background or if they thought that the auditor would not be impartial. Fortistar North Tonawanda accepted the auditor.

### ***Audit***

The auditor performed the audit off-site. The auditor reviewed the information submitted by Fortistar North Tonawanda and then developed a list of questions and requests for further information; the list was then sent to Fortistar North Tonawanda for their review. Fortistar North Tonawanda then took the time necessary to gather the required information and submitted the information back to the auditor via email.

### ***Exit Briefing***

The exit briefing was conducted via conference call at 9:30 am on Thursday, August 27, 2009. The teleconference was between the NPCC auditor and NAES. The NPCC staff

reviewed the audit process and summarized the findings of the audit for each standard and requirement. After reviewing all the data, the audit team found Fortistar North Tonawanda to be compliant with 9 of the 12 requirements and 5 of the 6 applicable NERC Reliability Standards. The audit team determined that 3 requirements and 1 NERC Reliability Standard were not applicable to Fortistar North Tonawanda.

FNT was presented an opportunity to question the audit findings and provide comments on the audit. The auditor provided some ways to enhance their management of data evidence.

### ***Company Profile***

Fortistar North Tonawanda is a cogeneration plant located in North Tonawanda, NY. It is a single generation facility consisting of Gas Turbine Generator rated at 49.650 MVA and a Steam Turbine Generator rated at 18.889 MVA. It is interconnected through a 70 MVA Main Transformer, which steps up the voltage to 115KV at National Grid's Walck Rd. Substation. FNT has an owner's representative who the Plant Manager (PM) reports to. The Assistant Plant Manager (APM) and Office Supervisor report to the PM. There is a Senior Power Plant Specialist & 7 Power Plant Specialists, who report to the APM.

### ***Audit Specifics***

The compliance audit was conducted from August 18 to August 27, 2009 at NPCC offices in New York City, New York.

<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

### **Fortistar North Tonawanda**

<b>Title</b>	<b>Organization</b>
Senior Power Plant Specialist	NAES

## Audit Results

Fortistar North Tonawanda provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation.

The audit team prepared reliability standards audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

After reviewing all the data, the audit team found Fortistar North Tonawanda to be compliant with 9 of the 12 applicable requirements and 5 of 6 applicable NERC Reliability Standards. The audit team determined that 3 requirements and 1 NERC Reliability Standard were not applicable to Fortistar North Tonawanda.

### **Findings**

The following table details findings for compliance with the reliability standards listed in the NERC 2009 Implementation Plan.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
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-004-1	R4	Compliant
PRC-004-1	R2	Compliant
PRC-004-1	R3	Not Applicable
PRC-005-1	R1	Compliant
PRC-005-1	R2	Compliant
PRC-017-0	R1	Not Applicable
PRC-017-0	R2	Not Applicable

### ***Compliance Culture***

The audit team reviewed Fortistar North Tonawanda's compliance culture. During all contacts, the Fortistar North Tonawanda's representative was very professional and positive in his approach to compliance and understood the importance of the compliance and its role in maintaining reliability. All additional information requested was provided promptly and comprehensively.

The reliability compliance program maintained by FNT involves all levels of personnel at FNT. The compliance culture is monitored and promoted from the top to the bottom of the organization. This is demonstrated by the NAES NERC Reliability Compliance Policy (CP-11) as well as with the formalized plant specific internal compliance program maintained by the facility operators.

The internal compliance program is monitored directly by the owner's representative who is the primary compliance officer and authorized signatory. The facility Plant Manager is an authorized signatory and along with the Assistant Plant Manager directly supervises the FNT compliance program. The Senior Power Plant Specialist and Power Plant Specialist are the primary and secondary compliance contacts, respectively. FNT compliance personnel work with NAES compliance support that provides internal NERC bulletins and compliance recommendations. The compliance culture is strongly promoted within FNT, and all plant personnel are trained regarding NERC compliance expectations at the facility. This training is accomplished by the primary and secondary contacts.