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Compliance Audit Report Public Version

Astoria Energy LLC
NCR00538

February 24 to March 10, 2009

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

March - 10/2009

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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 Astoria Energy, NERC ID #NCR00538 was conducted between February 24th and March 10, 2009. Astoria Energy was audited for its registered functions of Generator Owner (GO) and Generator Operator (GOP). The audit team evaluated Astoria Energy's compliance with thirteen reliability standards identified in the NERC 2009 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard. Suez Energy Generation assumed operational control of the Astoria Energy LLC facility as of June 1, 2008, and on June 6, 2008 they registered as a Generator Owner for Astoria Energy LLC; there was no Entity registered for the function of GO for the Astoria Energy facilities prior to that date; these were also factored into the determination of the monitoring timeframes for the reliability standards. The audit was completed using data submitted by Astoria Energy and telephone and email data exchanges. Of the thirteen standards audited, ten were judged to be compliant; however, three standards were found to be non-applicable to Astoria Energy. The thirteen standards contained a total of thirty requirements, eighteen of which were judged to be compliant and twelve were non-applicable to Astoria Energy.

Astoria Energy provided a subject matter expert for each standard resulting in a more clear understanding of the Astoria Energy business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence.

The Astoria Energy audit team responded to requests for further information in an expeditious manner. The audit team would like to thank the Astoria Energy team for the support offered throughout the audit.

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

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 Astoria Energy's compliance with the requirements of the reliability standards that are applicable to Astoria Energy based on the Astoria Energy registered functions of GO and GOP.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards.

The audit was completed using data submitted by Astoria Energy and information via email data exchanges. The audit team evaluated Astoria Energy's compliance with thirteen reliability standards identified in the NERC 2009 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard.

Of the thirteen standards audited (three of the standards were deemed to be not applicable to Astoria Energy), ten 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 to:

- Independently review Astoria Energy' compliance with the requirements of the reliability standards that are applicable to Astoria Energy based on the registered functions.
- 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.

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

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

- 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 the Astoria Energy's compliance program and culture.

Scope

The audit included all standards identified in the December 18, 2008 audit letter for the previous year. The audit was a regularly scheduled audit, and there were no self-reported violations or compliance investigations involved.

At the time of the audit, Astoria Energy was registered for the functions GO and GOP. The audit team evaluated Astoria Energy for compliance during the period of June 18, 2007 to March 10, 2009.

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 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

Astoria Energy was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Astoria Energy 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. Astoria Energy had no self-reported violations during the audit period.

The audit team leader requested that Astoria Energy employees representing subject matter expertise regarding all of registered functions of Astoria Energy 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 RSAWs 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 a portion of the audit trail, are included in the RSAWs.

Audit Overview

The audit overview was conducted at 10:00 AM on February 27th, 2009 via conference call. The auditor noted that he had signed a confidentially agreement with NPCC. The audit process was discussed along with a timeline of the audit's duration. As a registered GOP and GO, Astoria Energy would be audited on thirteen standards. It was noted that the auditor does have the authority to expand the audit beyond the initial set of identified standards and requirements should the need arise. A brief explanation of the audit process was given and the timelines were discussed. Astoria Energy 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. Astoria Energy accepted the audit team.

Audit

The audit was performed off-site by NPCC Staff. The auditor developed a list of questions for Astoria Energy to answer; the list was then sent to Astoria Energy for their review. Astoria Energy then took the time necessary to develop the answers and submitted them by email to the auditor.

Exit Briefing

The exit briefing was conducted via conference call at 11:00 AM on March 10, 2009. The teleconference was between NPCC staff and representatives of Astoria Energy. NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Astoria Energy was judged to be compliant with ten of the standards, however, three of the standards were deemed to be not applicable to Astoria Energy. Astoria Energy was presented an opportunity to question the audit findings and provide comment on the audit. Astoria Energy representatives thanked the auditor for his efforts in providing clarity and guidance during the audit process.

Company Profile

The power plant owner is Astoria Energy LLC, a privately held, limited liability corporation consisting of five owners. SUEZ Energy Generation NA is one the five owners and holds slightly over 30% interest. There are 7 seats on the board of directors, 2 are held by Suez Energy Generation, 2 are held by one other large share holder and the remaining three seats are owned by three single investment entities.

PLANT OPERATOR (and part owner)



SUEZ Energy North America

SUEZ Energy Generation NA, Inc. (SEGNA) is the operator of the Astoria Energy LLC site. SEGNA is a business unit of SUEZ Energy North America responsible for managing the company's power operations in the United States, Canada, and Mexico.

SUEZ Energy Generation NA, is made up of approximately 600 people committed to providing reliable and efficient power to more than 50 communities -- over 3 million homes and businesses. As responsible energy producers, SUEZ Energy Generation NA protects the employees, neighbors, and the environment by adhering to the strictest of safety practices and environmental regulations. It will not compromise the safety or the welfare of the community locally or at large. SUEZ Energy Generation NA is transparent in its actions and has an open-door policy for its employees and the communities it serves.

Operations

SUEZ Energy Generation NA is headquartered in Houston, Texas. SUEZ Energy Generation NA currently owns and/or operates a total of 47 power, cogeneration, steam, and chilled-water facilities, including those in construction or development, representing a capacity of more than 6,382 MW of electricity generation, 6.0 million pounds per hour of steam, and 41,973 tons of chilled water. The facilities use a variety of fuels to produce power, heat and cooling.

Audit Specifics

The compliance audit was conducted from February 24th to March 10, 2009, at the offices of the NPCC Audit Staff in New York City, New York.

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

Astoria Energy

Title	Organization
VP - PPA Facilities	Astoria Energy LLC
Director, Plant Operations	Astoria Energy LLC
Plant Manager	Astoria Energy LLC
Plant Engineer	Astoria Energy LLC

Audit Results

Astoria Energy 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 Astoria Energy had demonstrated compliance.

Findings

Reliability Standard	Requirement	Finding	
CIP-001-1	R1	Compliant	
	R2	Compliant	
	R3	Compliant	
	R4	Compliant	
COM-002-2	R1	Compliant	
FAC-008-1	R1	Compliant	
	R1.1	Compliant	
	R1.2	Compliant	
	R1.2.1	Compliant	
	R1.2.2	Compliant	
	R1.3	Compliant	
	R1.3.1	Compliant	
	R1.3.2	Compliant	
	R1.3.3	Compliant	
	R1.3.4	Compliant	
	R1.3.5	Not Applicable	
	R2	Not Applicable	
	R3	Not Applicable	
	FAC-009-1	R1	Compliant
		R2	Not Applicable
IRO-001-1	R8	Not Applicable	
IRO-004-1	R4	Compliant	
IRO-005-1	R13	Not Applicable	
PRC-001-1	R1	Compliant	
	R2	Not Applicable	
	R2.1	Not Applicable	
	R3	Not Applicable	
	R3.1	Not Applicable	
	R5	Not Applicable	
PRC-004-1	R2	Compliant	
	R3	Not Applicable	

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

Reliability Standard	Requirement	Finding
PRC-005-1	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R2	Not Applicable
	R2.1	Compliant
	R2.2	Compliant
PRC-017-0	R1- R2	Not Applicable
TOP-001-1	R3	Not Applicable
	R6	Not Applicable
	R7	Compliant
	R7.1	Compliant
	R7.3	Compliant
TOP-002-2	R3	Compliant
	R13	Compliant
	R14	Compliant
	R15	Compliant
	R18	Compliant

Compliance Culture

The audit team reviewed the Astoria Energy compliance culture. The regional entity compliance staff may review additional aspects of the Astoria Energy compliance culture. Astoria Energy exhibited a serious approach to compliance; this was evident in their procedures and their adherence to those procedures. Astoria Energy was found to be responsive to follow up requests and questions. The audit team responded to all requests for additional information in a timely, clear and concise manner; the presentation and content of both the original and follow up information was professionally done. The audit team, once again, would like to thank the Astoria Energy team for the support offered throughout the audit. The involvement and support of upper management exhibits a very positive commitment by the corporation to the compliance of the NERC Standards and the reliable operation of the BES.