



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

**Brooklyn Navy Yard Cogeneration
Partners, L.P.
NCR10237**

March 16 to March 30, 2009

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

March 30, 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 Brooklyn Navy Yard Cogeneration Partners, L.C. (BNYCP), NERC ID #NCR10237 was conducted between March 16 and March 30, 2009. At the time of the audit, BNYCP was registered for the GO functions. The audit was completed using data submitted by BNYCP prior to the audit and data acquired through telephone calls and email responses to questions.

The audit team evaluated BNYCP's compliance with six reliability standards in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan from the date of registration or monitoring timeframes specified in each reliability standard. BNYCP has been registered in NPCC since April 8, 2008. Of the six standards audited, five were judged to be compliant and one was judged to be not applicable. BNYCP provided subject matter experts for each standard resulting in a clearer understanding of the BNYCP business model and accelerated the audit process. The evidence provided to demonstrate compliance was complete and well organized. The audit team would like to thank the BNYCP audit preparation team for the support offered through the audit.

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

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.¹ The audit objectives are to:

- Independently review BNYCP compliance with the requirements of the reliability standards that are applicable to BNYCP based on the BNYCP 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

- 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 BNYCP's compliance program and 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 audit included all standards identified in the January 6, 2009 audit letter from the date that BNYCP registered on April 8, 2008. The audit was a regularly scheduled audit; there were no self-reported violations. No compliance investigations were involved.

At the time of the audit, BNYCP was registered for the GO function. The audit team evaluated BNYCP for compliance during the period of April 8, 2008 to March 30, 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.

The audited entity was informed in advance of the audit that the independent contractors executed confidentiality agreements and code of conduct documentation was in place for the NERC representative and regional entity staff. Work history and conflict of interest forms submitted by each audit team member are on file in the NPCC corporate offices. 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

BNYCP was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to BNYCP 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.

The audit team leader requested interviews with BNYCP employees representing subject matter expertise regarding all of registered functions of BNYCP. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

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 11:00 AM on March 18, 2009 via conference call. The auditor reviewed his career and noted he had signed confidentiality agreements. A brief explanation of the audit process was given and the timelines were discussed. BNYCP was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest or that the auditor would not be impartial. BNYCP accepted the audit team.

Audit

Garth Arnott, as the audit leader, performed the audit off site. Prior to calls to BNYCP, the auditor developed a list of questions for BNYCP and requested clarification. BNYCP sent additional information to the auditor via email on a timely basis in response to the outstanding questions.

Exit Briefing

The exit briefing was conducted by conference call on March 30, 2009 between the NPCC lead auditor and BNYCP; NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that five standards were judged to be compliant and one was judged to be not applicable. BNYCP was given an opportunity to question the audit findings and provide comment on the audit. BNYCP said they thought the process was very professional and that it had been a beneficial process.

Company Profile

Brooklyn Navy Yard Cogeneration Partners, L.P. was formed on October 19, 1992 for the purpose of developing, leasing, acquiring, constructing, improving, equipping, owning, operating, installing and financing a natural gas-fired cogeneration facility (the "Facility") located in Brooklyn, New York. The Facility commenced deliveries to Consolidated Edison of New York, Inc. ("ConEd") on November 1, 1996 under a long term Energy Sales Agreement (ESA) and commercial operation commenced on March 1, 1997.

The Plant is located within the Brooklyn Navy Yard in Brooklyn, New York. The Plant is comprised of two (2) Siemens V84.2 combustion turbines nominally rated at approximately 100 MW, two (2) associated Heat Recovery Steam Generators and two (2) Siemens each nominally rated at approximately 40 MW. The Plant runs as a base load plant (220 MW & Seasonal Steam Requirements) under the ESA. ConEd is the bidding agent and is responsible for all

communications with NYISO. A deviation from normal base load operation is communicated to ConEd as exceptions only.

One above ground, 138kV bus Connection from ConEd Hudson Avenue East Substation (HAE) section 1-10. Two disconnect switches connecting the above bus to Facilities cables 7G03L and 7G03M. The cables are operated normally as a single feeder from HAE to the facility. Facility Circuit Breakers 52U1 and 52U2 connect its system at feeder 7G03L and 7G03M.

Audit Specifics

The compliance audit was conducted between March 16 and March 30, 2009 at the auditor's offices 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

BNYCP

Title	[Audited Entity] Organization
Administrative Manager	BNYCP
Site Supervisor	BNYCP
Plant Engineer	BNYCP

Audit Results

BNYCP provided electronic files and emails 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 the auditors were convinced that the standards and requirements had been met and BNYCP had demonstrated compliance.

After reviewing all the data BNYCP was judged to be compliant with five standards and one was judged to be not applicable.

Findings

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2009 Implementation Plan. This table can also include details summarizing auditor notes relating to evidence reviewed for reliability standard requirements for self-reported violations, ongoing mitigation plans, and other discussions.

Reliability Standard	Requirement	Finding
FAC-008-1	R1	Compliant
FAC-008-1	R1.1	Compliant
FAC-008-1	R1.2	Compliant
FAC-008-1	R1.2.1	Compliant
FAC-008-1	R1.2.2	Compliant
FAC-008-1	R1.3	Compliant
FAC-008-1	R1.3.1	Compliant
FAC-008-1	R1.3.2	Compliant
FAC-008-1	R1.3.3	Compliant
FAC-008-1	R1.3.4	Compliant
FAC-008-1	R1.3.5	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	Compliant
PRC-005-1	R1	Compliant
PRC-005-1	R1.1	Compliant
PRC-005-1	R1.2	Compliant
PRC-005-1	R2	Compliant
PRC-005-1	R2.1	Compliant
PRC-005-1	R2.2	Compliant
PRC-017-0	R1	N/A
PRC-017-0	R1.1	N/A
PRC-017-0	R1.1.1	N/A
PRC-017-0	R1.1.2	N/A
PRC-017-0	R1.1.3	N/A
PRC-017-0	R1.1.4	N/A
PRC-017-0	R1.2	N/A
PRC-017-0	R1.3	N/A
PRC-017-0	R1.4	N/A
PRC-017-0	R1.5	N/A
PRC-017-0	R2	N/A

Compliance Culture

The audit team reviewed BNYCP's compliance culture. The regional entity compliance staff may review additional aspects of BNYCP's compliance culture. During all contacts BNYCP staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability. Their documentation was very well written and focused on the applicable standards.