



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

**FirstLight Power Resources
Management, LLC
NCR07085**

July 31 to August 11, 2009

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

August 11, 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 FirstLight Power Resources Management, LLC (FPRM), NERC ID #NCR07085 was conducted between July 31 and August 11, 2009. At the time of the audit, FPRM was registered for the PSE function. The audit was completed using data submitted by FPRM prior to the start of the off-site audit and data provided as a result of questions that arose during the audit. The audit was performed by NPCC to demonstrate compliance within the NPCC footprint.

The auditor evaluated FPRM's compliance with 4 reliability standards and 4 requirements in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed 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 4 standards and 4 requirements audited for the functions FPRM is registered, 3 standards and 3 requirements were judged to be compliant, and 1 standard and 1 requirement were judged to be not applicable.

FPRM staff provided overviews of each standard, resulting in a more clear understanding of their business model and accelerating the audit process. The evidence provided to demonstrate compliance was well presented and well organized. The audit team would like to thank the FPRM staff for their 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

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 FirstLight Power Resources Management, LLC's compliance with the requirements of the reliability standards that are applicable to FPRM based on FPRM's 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.
- 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 FirstLight Power Resources Management, LLC's compliance program and culture.

Scope

The audit included all standards identified in the May 28, 2009 audit letter. The audit was a regularly scheduled audit and no self-reported violations or compliance investigations were involved in the audit. The audit was performed by NPCC to demonstrate compliance within the NPCC footprint.

At the time of the audit, FPRM was registered for the function PSE. The audit team evaluated FPRM for compliance during the period of June 18, 2007 to August 11, 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

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

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 members with no objections.

Off-site Audit

FPRM was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to FPRM more than 60 days in advance of the scheduled audit. This was an off-site audit conducted every six years or as determined to be necessary by the region. FPRM had not self-reported any violations. FPRM was registered as a PSE in NPCC.

In all cases, the auditors requested interviews with FPRM employees representing subject matter expertise regarding all of the registered functions of FPRM. These interviews resulted in data requests that in conjunction with the submitted evidence would provide the auditor with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The auditors prepared reliability standards audit 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 referenced in the RSAWs.

Audit Overview

The audit overview was provided to FPRM via conference call on August 4, 2009 between the lead auditor of NPCC and FPRM staff. The audit leader member reviewed his career and noted they had signed confidentiality agreements. A brief explanation of the audit process was given and the timelines were discussed. FPRM was given an opportunity to reject the auditors but accepted the auditors and their credentials for this audit.

Audit

The audit lead performed the audit off-site. Prior to calls to FPRM, the auditor developed a list of questions for FPRM and provided the questions via email. FPRM then took the time necessary to develop the answers and submitted them by email to the auditor.

Exit Briefing

The exit briefing was conducted by conference call on August 11, 2009 between the lead auditor of NPCC and FPRM staff. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that 3 standards and 3 requirements were found to be compliant, and 1 standard and 1 requirement were found to be not applicable. FPRM was given an opportunity to question the audit findings and provide comment on the audit. FPRM said they thought the process was very professional and thought it had been a beneficial process.

Company Profile

FirstLight Power Resources, Inc. (“FLPR”) is a wholly owned subsidiary of FirstLight Power Enterprises, Inc. FirstLight subsidiaries Mt. Tom Generating Company, LLC (“MTGC”) and FirstLight Hydro Generating Company (“FHGC”) own the generation assets. Waterbury Generation, LLC, a subsidiary of FirstLight Waterbury Holdings, LLC, owns the 95.76 MW Waterbury facility. FirstLight Power Resources Management, LLC (FPRM”) is the market facing entity for all commodity hedges, power sales, and fuel procurement agreements for the generation fleet. FirstLight Power Resources Services, LLC (“FPRS”) employs all personnel, including all corporate and O & M teams.

First Light Power Resources Management, LLC is a limited liability company organized under the laws of the State of Delaware. Its sole member is FirstLight Power Resources, Inc., which is a wholly owned subsidiary of FirstLight Power Enterprises, Inc. a Delaware Corporation. In December 2008, 100 percent of the stock of FirstLight Power Enterprises, Inc., was acquired by Suez Bidco, LLC.

Audit Specifics

The compliance audit was conducted between July 31 and August 11, 2009 at the auditor’s offices.

NPCC Audit Team Role	Title	Company
Regional staff	Manager Compliance	NPCC-Compliance Audit Program
Overall Lead Auditor	Contracted Consultant	NPCC-Compliance Audit Program

FirstLight Power Resources Management, LLC

Title	Organization
Manager Technical Services	FPRM
Vice President	FPRM
Senior Counsel	FPRM
Director of Operations	FPRM
Compliance Specialist	FPRM
Director NERC Compliance	FPRM
Director	FPRM
Senior Regulatory Counsel	FPRM

Audit Results

FPRM 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 FPRM had demonstrated compliance.

After reviewing all the data, FPRM was judged to be compliant with 3 standards and 3 requirements, and 1 standard and 1 requirement were judged to be not applicable.

Findings

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

Reliability Standard	Requirement	Finding
IRO-001-1	R8.	N/A
IRO-005-1	R13.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

The audit team reviewed FirstLight Power Resources Management, LLC's compliance culture. During all contacts, FPRM staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.