



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

**FirstLight Hydro Generating Company
(FHGC)
NCR10049**

July 29 to August 17, 2009

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

August 17, 2009

TABLE OF CONTENTS

Executive Summary	3
Audit Process	3
Objectives	4
Scope.....	4
Confidentiality and Conflict of Interest.....	4
Off-site Audit	5
Methodology	5
Audit Overview.....	5
Audit.....	5
Exit Briefing.....	5
Company Profile.....	6
Audit Specifics.....	6
Audit Results.....	7
Findings.....	7
Compliance Culture	9

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 Hydro Generating Company (FHGC), NERC ID #NCR10049 was conducted between July 29 and August 17, 2009. At the time of the audit, FHGC was registered for the GO and GOP functions. The audit was completed using data submitted by FHGC prior to the off-site audit being started and data provided by way of follow-up emails and phone calls as a result of questions raised during the off-site audit.

The auditor evaluated FirstLight Hydro Generating Company's compliance with thirteen reliability standards and thirty-three 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 thirteen standards and thirty-three requirements audited for the functions FHGC is registered for, twelve standards and their thirty-one requirements were judged to be compliant. One standard and its two requirements were judged to be not applicable.

FirstLight Hydro Generating Company provided an overview resulting in a more clear understanding of their business model and accelerated the audit process. The evidence provided to demonstrate compliance was well presented and well organized. The auditor would like to thank the FHGC audit preparation 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

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 Hydro Generating Company's compliance with the requirements of the reliability standards that are applicable to FHGC based on FHGC'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 Hydro Generating Company'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.

At the time of the audit, FHGC was registered for the functions GO and GOP. The audit team evaluated FHGC for compliance during the period of June 18, 2007 to August 17, 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.

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

Off-site Audit

FirstLight Hydro Generating Company was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to FirstLight Hydro Generating Company 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. FHGC had not self-reported any violations. FirstLight Hydro Generating Company is registered for GO and GOP functions in NPCC.

If necessary, the auditor would have requested interviews with FirstLight Hydro Generating Company employees representing subject matter expertise regarding all of the registered functions of FHGC. These interviews in conjunction with the submitted evidence would provide the auditor with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The auditor 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 included in the RSAWs.

Audit Overview

The initial audit overview was conducted on July 28, 2009. The call was led by the NPCC audit lead and representatives for FirstLight Hydro Generating Company were present. An explanation of the audit process was given and the timelines were discussed. FHGC was given an opportunity to reject the auditor but accepted the auditor and his credentials for this audit.

Audit

The audit was performed off-site by the auditor, with the Compliance Manager of NPCC assisting. Additional questions were provided to FirstLight Hydro Generating Company by way of emails and phone calls, and the FHGC staff then took the time necessary to develop the answers and submitted them by way of email and phone calls to the auditor.

Exit Briefing

The exit briefing was conducted by the auditor by way of a conference call on August 17, 2009 and was attended by representatives for FirstLight Hydro Generating Company. The auditor reviewed the audit process and summarized the preliminary findings of the audit.

The results of the audit were that of the thirteen standards and thirty-three requirements audited for the functions FHGC is registered for, twelve standards and their thirty-one requirements were judged to be compliant. One standard and its two requirements were judged to be not applicable.

The exit briefing is also a forum for the auditor to offer informal recommendations for process improvement. These recommendations are not included in the audit report but are captured in a separate document and sent to FHGC.

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 95.7 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.

FirstLight Hydro Generating Company is a Connecticut corporation. Its sole shareholder is FirstLight Power Resources, Inc., which is the 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.

FirstLight dispatches into the ISO New England (“ISO-NE”) system, which is part of the broader Northeast Power Coordinating Council (“NPCC”).

Audit Specifics

The compliance audit was conducted off-site between July 29 and August 17, 2009. The audit team members and FirstLight Hydro Generating Company. staff did an excellent job in completing the audit.

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

FirstLight Hydro Generating Company.

Title	Audited Entity's Organization
Manager Technical Services	FirstLight Hydro Generating Company

Audit Results

The auditor evaluated FHGC's compliance with thirteen reliability standards and thirty-three requirements identified in the NERC 2009 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard.

The results of the audit were that of the thirteen standards and thirty-three requirements audited for the functions FHGC is registered for, twelve standards and their thirty-one requirements were judged to be compliant. One standard and its two requirements were judged to be not applicable.

FHGC provided an overview resulting in a more clear understanding of their business model and accelerated the audit process. The evidence provided to demonstrate compliance was well presented and well organized. The auditor would like to thank the FHGC audit preparation team for the support offered through the audit.

Findings

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

FirstLight Hydro Generating Company

Reliability Standard	Requirement	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R1.1.	Compliant
FAC-008-1	R1.2.	Compliant

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Reliability Standard	Requirement	Finding
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-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-1	R13.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R2.1.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R3.1.	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R5.1.	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

Reliability Standard	Requirement	Finding
PRC-017-0	R1.5.	N/A
PRC-017-0	R2.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R7.1.	Compliant
TOP-001-1	R7.3.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R.14.1	Compliant
TOP-002-2	R.14.2.	Compliant
TOP-002-2	R.15.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

The audit team reviewed FirstLight Hydro Generating Company's compliance culture. During all contacts, FHGC staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.