



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

**Fore River Development, LLC
NCR07088**

August 10 to August 24, 2009

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

August 24, 2009

TABLE OF CONTENTS

Executive Summary	3
Audit Process	4
Scope	4
Objectives	4
Confidentiality and Conflict of Interest	5
Off-site Audit.....	5
Methodology.....	5
Audit Overview	6
Audit	6
Exit Briefing	6
Company Profile.....	6
Audit Specifics	7
Audit Results.....	7
Findings	8
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 Fore River Development, LLC (FRD), NERC ID #NCR07088 was conducted from August 10 to August 24, 2009. Fore River Development, LLC was audited for its registered functions of Generator Owner (GO), Generator Operator (GOP) and Purchasing-Selling Entity (PSE). During the audit, it was noted that Fore River Development, LLC did not participate in any of the PSE functions. All PSE functions are provided by Boston Generation for the FRD Station. FRD has submitted a letter to NPCC requesting that they be deregistered as a PSE. FRD will be judged as not applicable for all PSE requirements for this audit. The audit team evaluated Fore River Development, LLC's compliance with fifteen 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 period of the last twelve months or monitoring timeframes specified in each reliability standard. The audit was completed using data submitted by Fore River Development, LLC and by telephone and email data exchanges. Of the fifteen standards audited, twelve were judged to be compliant; however, three standards were found to be non-applicable to Fore River Development, LLC. Two of these standards were dedicated to the PSE function. The fifteen standards contained a total of sixty-two requirements, forty-three of which were judged to be compliant while nineteen were non-applicable to FRD.

Fore River Development, LLC provided a subject matter expert for each standard resulting in a more clear understanding of the FRD business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence.

The Fore River Development, LLC audit team responded to requests for further information in a comprehensive and expeditious manner. The audit team would like to thank the Fore River Development, LLC 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 Fore River Development, LLC's compliance with the requirements of the reliability standards that are applicable to FRD based on FRD'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 FRD's compliance program and culture.

Scope

The audit included all standards identified in the June 4, 2009 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, FRD was registered for the functions GO, GOP and PSE. The audit team evaluated FRD for compliance during the period of June 18, 2007 to August 24, 2009.

¹ 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

Fore River Development, LLC was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Fore River Development, LLC 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. Fore River Development, LLC had no self-reported violations during the audit period.

The audit team leader requested that Fore River Development, LLC employees representing subject matter expertise regarding all the registered functions of FRD 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 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 audit overview was conducted at 1:00 pm on August 12, 2009 via conference call. The auditor noted that he had signed a confidentiality agreement with NPCC. The audit process was discussed along with a timeline of the audit's duration. As a registered GOP, GO and PSE, Fore River Development, LLC would be audited on fifteen 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. FRD was given the opportunity to reject the auditor should they feel there was a possible conflict of interest or they thought the auditor would not be impartial. Fore River Development, LLC accepted the audit team.

Audit

The audit was performed off-site by NPCC staff. The auditor developed a list of questions for Fore River Development, LLC to answer and sent the list to FRD for their review. Fore River Development, LLC 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 1:00 pm on August 24, 2009. The teleconference was between NPCC staff and representatives of Fore River Development, LLC. NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Fore River Development, LLC was judged to be compliant with twelve of the fifteen standards; however, three of the standards were deemed to be not applicable. It was noted, during the audit that Fore River Development, LLC did not participate in any of the PSE functions. All PSE functions are provided by Boston Generation for the FRD Station. FRD has submitted a letter to NPCC requesting that they be deregistered as a PSE. FRD will be judged as not applicable for all PSE requirements for this audit.

Fore River Development, LLC was presented an opportunity to question the audit findings and provide comment on the audit. FRD representatives stated that they thought the audit went smoothly and that the longer notification time and detailed directions were responsible for that.

Company Profile

Fore River Development, LLC is a wholly owned subsidiary of Boston Generating, LLC (BG) located in Charlestown, MA. BG is a subsidiary of EBG Holdings LLC, which is a subsidiary of US Power Generating Company, Inc. (USPG) located in New York City.

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In addition to BG, USPG also owns the Astoria Generating Company, LP (AGC), which is an independent wholesale power generating company in New York City.

BG is the owner of three generating projects and two service companies. The three generating projects are located in the Boston, MA area (Mystic I, LLC, Mystic Development, LLC and Fore River Development, LLC), and each are independently registered with NERC as Generator Owners (GO) and Generator Operators (GOP). Fore River Development, LLC is also independently registered with NERC as a Purchasing-Selling Entity (PSE). The two service companies are BG New England Power Services, Inc. and BG Boston Services, LLC. All employees under BG work for one of these two service companies.

Audit Specifics

The compliance audit was conducted between August 10 and August 24, 2009 at the offices of the NPCC audit staff.

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

Fore River Development, LLC

Title	Organization
Vice President Regulatory Affairs	Fore River Development, LLC
Operations Support Group Manager	Fore River Development, LLC
I & C Engineer	Fore River Development, LLC
Director Plant Operation	Fore River Development, LLC

Audit Results

Fore River Development, LLC 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 FRD had demonstrated compliance.

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Findings

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

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	Not Applicable
	R1.3.1	Compliant
	R1.3.2	Compliant
	R1.3.3	Compliant
	R1.3.4	Compliant
	R1.3.5	Not Applicable
	R2	Compliant
	R3	Compliant
FAC-009-1	R1	Compliant
	R2	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-1	R13	Compliant
PRC-001-1	R1	Compliant
	R2	Compliant
	R2.1	Not Applicable
	R3	Not Applicable
	R3.1	Compliant
	R5	Compliant
	R5.1	Compliant
PRC-004-1	R2	Compliant
	R3	Compliant

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Reliability Standard	Requirement	Finding
PRC-005-1	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R2	Compliant
	R2.1	Compliant
	R2.2	Compliant
PRC-017-0	R1- R1.5	Not Applicable
TOP-001-1	R3	Compliant
	R6	Compliant
	R7	Not Applicable
	R7.1	Compliant
	R7.3	Compliant
TOP-002-2	R3	Compliant
	R13	Compliant
	R14	Compliant
	R14.1	Compliant
	R14.2	Not Applicable - Retired.
	R15	Not Applicable
	R18	Compliant
TOP-005-1	R4	Not Applicable
VAR-001	R5	Not Applicable

Compliance Culture

The audit team reviewed Fore River Development, LLC's compliance culture. FRD exhibited a serious approach to compliance; this was evident in their procedures and their adherence to those procedures. Fore River Development, LLC was responsive to follow-up requests and questions. The audit team responded to all requests for additional information in a timely manner; the presentation and content of both the original and follow-up information was professionally done. The involvement and support of upper management, as evidenced by the training examples given, exhibits a very positive commitment by the corporation to the compliance of the NERC Standards and the reliable operation of the BES.