



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

**Hudson Light and Power Department
(HLPD)
NCR07107**

July 13 to July 28, 2009

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

July 28, 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 Hudson Light and Power Department (HLPD), NERC ID #NCR07107 was conducted between July 13, 2009 and July 28, 2009. At the time of the audit, HLPD was registered for the DP and LSE functions. The audit was completed using data submitted by HLPD 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 Hudson Light and Power Department's compliance with eleven reliability standards and thirty-two requirements and sub-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 eleven standards and thirty-two requirements and sub-requirements audited for the functions HLPD is registered for, eight standards and their nineteen requirements and sub-requirements were judged to be compliant. Three standards and thirteen requirements and sub-requirements were judged to be not applicable. Two of the standards judged to be compliant are not applicable at this time, but HLPD provided adequate evidence to prove compliance.

Hudson Light and Power Department 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 HLPD 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 Hudson Light and Power Department's compliance with the requirements of the reliability standards that are applicable to HLPD based on HLPD'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 Hudson Light and Power Department's compliance program and culture.

Scope

The audit included all standards identified in the May 6, 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, HLPD was registered for the functions DP and LSE. The audit team evaluated HLPD for compliance during the period of June 18, 2007 to July 28, 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

Hudson Light and Power Department was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Hudson Light and Power Department 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. HLPD had not self-reported any violations. Hudson Light and Power Department is registered for DP and LSE functions in NPCC.

If necessary, the auditor would have requested interviews with Hudson Light and Power Department employees representing subject matter expertise regarding all of the registered functions of HLPD. 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 15, 2009. The call was led by the auditor for NPCC, and the Reliability Compliance Manager participated for Hudson Light and Power Department. An explanation of the audit process was given and the timelines were discussed. HLPD 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 lead auditor with the Compliance Manager of NPCC assisting. Additional questions were provided to Hudson Light and Power Department by way of emails and phone calls, and the HLPD 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 lead auditor by conference call on July 28, 2009 and was attended by the Reliability Compliance Manager and the Manager of Hudson Light and Power Department. The auditor reviewed the audit process and summarized the preliminary findings of the audit.

The results of the audit were that of the eleven standards and thirty-two requirements and sub-requirements audited for the functions HLPD is registered for, eight standards and their nineteen requirements and sub-requirements were judged to be compliant. Three standards and thirteen requirements and sub-requirements were judged to be not applicable. Two of the standards judged to be compliant are not applicable at this time, but HLPD provided adequate evidence to prove compliance.

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 would be captured in a separate document and sent to HLPD. This was not necessary for this audit.

Company Profile

HLPD is a municipal electric utility. It is governed by three elected Commissioners from the Town of Hudson, MA who make up the Board of Commissioners. Each Commissioner serves a three-year term. The Board hires the Manager who is responsible for day-to-day operations and all personnel.

HLPD provides electrical service to the Towns of Hudson and Stow located in Massachusetts and is fed from National Grid via two 115,000 volt radial transmission lines located on common towers and owns the last three miles of these transmission lines that terminate in the HLPD switchyard.

HLPD owns a distribution system to approximately 12,300 meters and owns and operates a 15 MW generating station.

HLPD system peak load occurred in August 2006 at 78.5 MW.

Audit Specifics

The compliance audit was conducted off-site between July 13 and July 28, 2009. The audit team members and Hudson Light and Power Department 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

Hudson Light and Power Department

Title	Audited Entity's Organization
Reliability Compliance Manager	Hudson Light and Power Department
Manager	

Audit Results

The auditor evaluated Hudson Light and Power Department's compliance with eleven reliability standards and thirty-two requirements and sub-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 eleven standards and thirty-two requirements and sub-requirements audited for the functions HLPD is registered for, eight standards and their nineteen requirements and sub-requirements were judged to be compliant. Three standards and thirteen requirements and sub-requirements were judged to be not applicable. Two of the standards judged to be compliant are not applicable at this time, but HLPD provided adequate evidence to prove compliance.

HLPD 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 HLPD 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.

Hudson Light and Power Department

Reliability Standard	Requirement	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant

Reliability Standard	Requirement	Finding
CIP-001-1	R4.	Compliant
EOP-002-2	R9.	N/A
EOP-002-2	R9.1.	N/A
IRO-001-1	R8.	N/A
IRO-004-1	R4.	Compliant
IRO-005-1	R13.	Compliant
PRC-004-1	R1.	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-008-0	R1.	Compliant
PRC-008-0	R2.	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.	NA
PRC-017-0	R1.1.4.	NA
PRC-017-0	R1.2.	NA
PRC-017-0	R1.3.	NA
PRC-017-0	R1.4.	NA
PRC-017-0	R1.5.	NA
TOP-001-1	R4.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

The audit team reviewed Hudson Light and Power Department's compliance culture. During all contacts, HLPD staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.