



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

**Long Island Power Authority
NCR07133**

October 30 to November 17, 2009

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

November 17, 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 Long Island Power Authority (LIPA), NERC ID #NCR07133 was conducted from October 30 to November 17, 2009. LIPA was audited for its registered functions of Transmission Owner (TO), Distribution Provider (DP), Load Serving Entity (LSE) and Purchasing-Selling Entity (PSE). The audit team evaluated LIPA's compliance with sixteen 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 from June 18, 2007 or monitoring timeframes specified in each reliability standard. The audit was completed using data submitted by LIPA and telephone and email data exchanges. Of the sixteen standards audited, ten were judged to be compliant and the remaining six standards were found to be non-applicable to LIPA. The sixteen standards contained a total of eighty-two requirements, fifty-six of which were judged to be compliant, while twenty-six were found to be non-applicable to LIPA.

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

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

The LIPA audit team responded to requests for further information in an expeditious manner. The audit team would like to thank the LIPA team for the support offered throughout the audit.

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 LIPA's compliance with the requirements of the reliability standards that are applicable to LIPA based on the 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 LIPA's compliance program and culture.

Scope

The audit included all standards identified in the August 10, 2009 audit letter. The audit was a regularly scheduled audit and there were no self-reported violations or compliance investigations involved.

At the time of the audit, LIPA was registered for the functions DP, LSE, PSE and TO. The audit team evaluated LIPA for compliance during the period of June 18, 2007 to November 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. 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

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

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

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

The audit team leader requested that LIPA employees representing subject matter expertise regarding all the registered functions of LIPA be made available for interviews via conference calls 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 9:00 AM on October 30, 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 TO, DP, PSE and LSE, LIPA would be audited on sixteen 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. A brief explanation of the audit process was given and the timelines were discussed. LIPA was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest or if they thought the auditor would not be impartial. LIPA accepted the audit team.

Audit

The audit was performed off-site by NPCC staff. The auditor developed a list of questions for LIPA to answer; the list was then sent to LIPA for their review. LIPA 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 3:30 PM on November 17, 2009. The teleconference was between NPCC staff and representatives of LIPA. NPCC staff reviewed the audit process and summarized the findings of the audit. Of the sixteen standards audited, ten were judged to be compliant and the remaining six standards were found to be non-applicable to LIPA. The sixteen standards contained a total of eighty-two requirements, fifty-six of which were judged to be compliant, while twenty-six were found to be non-applicable to LIPA.

LIPA was presented an opportunity to question the audit findings and provide comment on the audit. LIPA representatives thanked the audit team for their efforts in providing clarity and guidance during the audit process.

Company Profile

The Long Island Power Authority (“the Authority”) is a corporate municipal instrumentality and political subdivision of the State of New York. The Authority has a wholly-owned subsidiary, the Long Island Lighting Company, which does business under the name of LIPA (“LIPA”). In this Company Profile, the Authority and LIPA are referred to jointly as “LIPA.”

LIPA owns an electric transmission and distribution system located in its service area, which includes the New York Counties of Nassau and Suffolk (with certain limited exceptions) and a small portion of Queens County, New York, known as the Rockaways. LIPA is a member of the New York Independent System Operator (NYISO) which serves as the registered Transmission Operator (TOP) for the LIPA-owned transmission system

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defined by NPCC as part of the “Bulk Electric System” (BES). LIPA operates the non-BES portion of its transmission system. LIPA also owns an 18% interest in the Nine Mile Point 2 nuclear generating facility located in Oswego, New York, for which Nine Mile Point Nuclear Station, LLC is registered with NPCC and NERC as the Generator Owner (GO) and Generator Operator (GOP).

Audit Specifics

The compliance audit was conducted from October 30 to November 17, 2009 at the offices of the NPCC audit staff 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

LIPA

Title	Organization
Manager, System Operations	LIPA
Director System Operations	LIPA

Audit Results

LIPA 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 LIPA had demonstrated compliance.

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

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Reliability Standard	Requirement	Finding
	R2	Compliant
	R3	Compliant
	R4	Compliant
EOP-002-2	R9	Not Applicable
	R9.1	Not Applicable
FAC-001-0	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R1.3	Compliant
	R2	Compliant
	R2.1	Compliant
	R2.1.1	Compliant
	R2.1.2	Compliant
	R2.1.3	Compliant
	R2.1.4	Compliant
	R2.1.5	Compliant
	R2.1.6	Compliant
	R2.1.7	Compliant
	R2.1.8	Compliant
	R2.1.9	Compliant
	R2.1.10	Compliant
	R2.1.11	Compliant
	R2.1.12	Compliant
	R2.1.13	Compliant
	R2.1.14	Compliant
	R2.1.15	Compliant
	R2.1.16	Compliant
	R3	Compliant
FAC-003-1	R1-R2	Not Applicable
FAC-008-1	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R1.2.1	Compliant
	R1.2.2	Compliant
	R1.3	Compliant

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Reliability Standard	Requirement	Finding
	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	Not Applicable
IRO-004-1	R4	Compliant
IRO-005-1	R13	Not Applicable
PRC-004-1	R1	Compliant
	R3	Compliant
PRC-005-1	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R2	Compliant
	R2.1	Compliant
	R2.2	Compliant
PRC-008-0	R1	Compliant
	R2	Compliant
PRC-017-0	R1- R1.5	Not Applicable
TOP-001-1	R4	Not Applicable
TOP-002-2	R3	Compliant
	R18	Compliant
VAR-001-1	R5	Compliant

Compliance Culture

The audit team reviewed the LIPA compliance culture. LIPA was found to be responsive to follow up requests and questions. Their audit team responded to all requests for additional information in a timely manner and the presentation and content of the follow up information was professionally done.