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Compliance Audit Report Public Version

Lockport Energy Associates LP NCR07132

October 14 to October 30, 2009

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

October 30, 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 Lockport Energy Associates LP (LEA), NERC ID #NCR07132 was conducted from October 14 to October 30, 2009. Lockport Energy Associates LP was audited for its registered function of Generator Owner (GO). The audit team evaluated Lockport Energy Associates LP's compliance with six 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 Lockport Energy Associates LP and telephone and email data exchanges. Of the six standards audited, five standards were found to be compliant and one standard was found to be non-applicable to Lockport Energy Associates. The six standards contained a total of twelve requirements, ten of which were judged to be compliant while two were non-applicable to Lockport Energy Associates LP.

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

The Lockport Energy Associates LP audit team responded to requests for further information in a clear, concise and expeditious manner. The audit team would like to thank the Lockport Energy Associates LP 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 Lockport Energy Associates LP's compliance with the requirements of the reliability standards that are applicable to Lockport Energy Associates LP 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 Lockport Energy Associates LP's compliance program and culture

Scope

The audit included all standards identified in the July 29, 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, LEA was registered for the function GO. The audit team evaluated LEA for compliance during the period of June 18, 2007 to October 30, 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

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

The audit team leader requested that Lockport Energy Associates LP employees representing subject matter expertise regarding the registered function of Lockport Energy Associates LP 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 10:00 AM on October 14, 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 GO, Lockport Energy Associates LP would be audited on six 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. Lockport Energy Associates LP 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. Lockport Energy Associates LP accepted the audit team.

Audit

The audit was performed off-site by NPCC staff. The auditor developed a list of questions for Lockport Energy Associates LP to answer; the list was then sent to Lockport Energy Associates LP for their review. Lockport Energy Associates LP 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 10:00 AM on October 30, 2009. The teleconference was between NPCC staff and representatives of Lockport Energy Associates LP. NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, it was judged that of the six standards audited, five were compliant and one was judged non-applicable. Lockport Energy Associates LP was presented an opportunity to question the audit findings and provide comment on the audit. Lockport Energy Associates LP representatives questioned the process for following up on possible violations if any had existed.

Company Profile

LEA is an Investor group consisting of (2) General Partners and (10) Limited Partners. An Owner's Representative conducts all day-to-day business of the Lockport Cogeneration Facility on behalf of the General Partners.

The LCF is located in northern Niagara County in the Town of Lockport, NY. The facility is comprised of (3) Gas Turbine Generator combined cycle units and (1) Steam Turbine Generator which generate at 13.8 kv. The generator outputs are stepped up to 115 kv via individual GSU transformers.

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The output from GSU transformers 1 & 2 are paired together and GSU transformers 3 & 4 are paired together to create (2) separate 115 kv transmission lines. The total length of the lines is ~ 2175 feet.

The transmission lines connect into the New York State Electric & Gas (NYSEG) grid via a ring bus configuration, located in the Delphi Thermal & Interiors (DTI) complex just east of the LCF.

Audit Specifics

The compliance audit was conducted between October 14 and October 30, 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

Lockport Energy Associates

Title	Organization
Senior Power Plant Specialist	Lockport Energy Associates LP
Power Plant Specialist	Lockport Energy Associates LP

Audit Results

Lockport Energy Associates LP provided data which was 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 Lockport Energy Associates LP 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
FAC-008-1	R1	Compliant
	R2	Compliant
	R3	Compliant
FAC-009-1	R1	Compliant
	R2	Compliant
IRO-004-1	R4	Compliant
PRC-004-1	R2	Compliant
	R3	Compliant
PRC-005-1	R1	Compliant
	R2	Compliant
PRC-017-0	R1- R2	Not Applicable

Compliance Culture

The audit team reviewed the Lockport Energy Associates LP compliance culture. Lockport Energy Associates LP was found to be responsive to follow up requests and questions. They responded to all requests for additional information in a timely manner. There is a very positive commitment by the staff at LEA to maintain compliance of the NERC Standards and the reliable operation of the BES.