



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

Compliance Audit Report

Public Version

New Athens Generating Company, LLC

NCR07154

August 24 to September 14, 2009

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

September 14, 2009

TABLE OF CONTENTS

Executive Summary	3
Audit Process	4
Objectives	4
Scope	5
Confidentiality and Conflict of Interest.....	5
Off-site Audit	5
Methodology	6
Audit Overview.....	6
Audit	7
Exit Briefing.....	7
Company Profile	8
Audit Specifics.....	8
Audit Results.....	9
Findings.....	9
Compliance Culture	11

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.

An off-site compliance audit of New Athens Generating Company, LLC, NERC ID #NCR07154 was conducted from August 24 to September 14, 2009. At the time of the audit, New Athens Generating Company, LLC was registered for the Generator Owner (GO) and Generator Operator (GOP) functions.

The audit team evaluated New Athens Generating Company, LLC for compliance with fifty-eight (58) requirements and sub-requirements in thirteen (13) NERC 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 audit period of the current year and previous from June 18, 2007 unless a different retention period is specified in an individual reliability standard. New Athens Generating Company, LLC submitted information and documentation to aid the audit team's evaluation of compliance with requirements and provided a subject matter expert for the standards resulting in a more clear understanding of the New Athens Generating Company, LLC business model, which helped accelerate the audit process. When the evidence provided to demonstrate compliance or non-applicability required additional requests for information and evidence, the New Athens Generating Company, LLC team responded to these requests in an expeditious manner. The audit was conducted using the data submitted by New Athens Generating Company, LLC as well as telephone and email data exchanges and an employee interview. The audit team reviewed and evaluated all information provided by New Athens Generating Company, LLC to assess compliance with the standards applicable to the Generator Owner (GO) and Generator Operator (GOP) functions.

The audit team evaluated New Athens Generating Company, LLC on 58 requirements and sub-requirements in 13 Reliability Standards. Based on the information and documentation provided, the audit team found New Athens Generating Company, LLC to be compliant with 43 of 58 applicable requirements and sub-requirements and 10 of the 13 applicable NERC Reliability Standards. The audit team determined that 15 requirements and sub-requirements and 3 NERC Reliability Standards were not applicable to New Athens Generating Company, LLC.

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

All additional information requested was provided promptly and comprehensively. The audit team would like to thank the New Athens Generating Company, LLC 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 New Athens Generating Company, LLC's compliance with the requirements of the reliability standards that are applicable to New Athens Generating Company, LLC based on New Athens Generating Company, LLC'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 New Athens Generating Company, LLC's compliance program and culture.

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

Scope

The audit included all standards identified in the June 19, 2009 audit letter for the previous year. The audit was a regularly scheduled audit. Based on auditor review of NPCC site documentation and discussion with NPCC, no New Athens Generating Company, LLC self-reported violations, made pre or post June 18, 2007, mitigation plans, spot checks, previous audits, or compliance investigations were involved. There were no separate requests made by Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

At the time of the audit, New Athens Generating Company, LLC was registered for the functions GO and GOP. The audit team evaluated New Athens Generating Company, LLC for compliance during the period of June 18, 2007 to September 14, 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 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

New Athens Generating Company, LLC was provided with a pre-audit request letter identifying the standards and requirements subject to audit for the Generator Owner (GO) and Generator Operator (GOP) functions, which included CIP-001-1 R1, R2, R3, R4; COM-002-2 R1; FAC-008-1 R1, R2, R3; FAC-009-1 R1, R2; IRO-001-1 R8; IRO-004-1 R4; IRO-005 R13; PRC-001-1 R1, R2, R3, R5; PRC-004-1 R2, R3; PRC-005-1 R1, R2; PRC-017 R1; TOP-001-1 R3, R6, R7; and TOP-002-2 R3, R13, R14, R15, R18. The audit letter was sent to New Athens Generating Company, 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. Based on auditor review of NPCC site documentation and discussion with NPCC, no New Athens Generating Company, LLC self-reported violations, made pre or post

June 18, 2007, mitigation plans, spot checks, previous audits, or compliance investigations were involved. There were no separate requests made by Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

The audit team leader requested that New Athens Generating Company, LLC employees representing subject matter expertise regarding the registered function of New Athens Generating Company, LLC be made available for interviews should the need arise. These interviews, in conjunction with evidence submitted would then provide the audit team with a basis for professional judgment when validating compliance with reliability standards. An interview was requested with a Lead O&M Technician, which was promptly granted and conducted.

Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

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, non-compliance or non-applicability 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 2:00 PM EDT on August 27, 2009 via telephone call. The call was between the NPCC auditor and the CPV Vice President of Regulatory Compliance, CPV Asset Manager of Athens and Athens Vice President of Management, NAES Athens Plant Manager, and NAES Athens Plant Engineer, all representing New

Athens Generating Company, LLC. The auditor reviewed his career and noted that he had signed a confidentiality agreement. An explanation of the audit process was given and the audit timelines were discussed. The auditor stated that the auditor has the ability and authority to expand the audit beyond the initial set of the standards and requirements identified in the audit notification letter should the need arise. The auditor also stated that corroborating evidence from other entities might be required to substantiate New Athens Generating Company, LLC's compliance.

New Athens Generating Company, LLC was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest, any concerns regarding the auditor's background or if they thought that the auditor would not be impartial. New Athens Generating Company, LLC accepted the auditor.

Audit

The auditor performed the audit off-site. The auditor reviewed the information submitted by New Athens Generating Company, LLC and then developed a list of questions and requests for further information; the list was then sent to New Athens Generating Company, LLC for their review. New Athens Generating Company, LLC then took the time necessary to gather the necessary information and submitted the information back to the auditor via email. An interview was requested with a Lead O&M Technician, which was promptly granted and conducted.

Exit Briefing

The exit briefing was conducted via conference call at 11 AM EDT on Monday, September 14, 2009. The teleconference was between the NPCC auditor, and the CPV Vice President of Regulatory Compliance, CPV Asset Manager of Athens and Athens Vice President of Management, NAES Athens Plant Manager, NAES Athens Plant Engineer, and NAES Athens O&M Manager, all representing New Athens Generating Company, LLC. The NPCC auditor reviewed the audit process and summarized the findings of the audit for each standard and requirement.

The Audit Team evaluated New Athens Generating Company, LLC on 58 requirements and sub-requirements in 13 Reliability Standards. Based on the information and documentation provided, the audit team found New Athens Generating Company, LLC to be compliant with 43 of 58 applicable requirements and sub-requirements and 10 of the 13 applicable NERC Reliability Standards. The audit team determined that 15 requirements and sub-requirements and 3 NERC Reliability Standards were not

applicable to New Athens Generating Company, LLC. The auditor also provided audit suggestions for New Athens Generating Company, LLC's consideration.

New Athens Generating Company, LLC was presented an opportunity to question the audit findings and provide comments on the audit. New Athens Generating Company, LLC thanked the auditor for doing a thorough audit and appreciated that he provided the audit suggestions, which were apt. New Athens Generating Company, LLC also commented that they endeavor to learn from the audits and make improvements wherever possible.

Company Profile

New Athens Generating Company, LLC (Athens) is owned by MACH Gen, LLC. Competitive Power Ventures, Inc. (CPV) is the asset manager for MACH Gen, LLC. North American Energy Services Corporation (NAES) of Issaquah, WA is under contract to provide O & M services to the plant. All of the employees on the plant site, including the plant manager, are NAES employees. Also, Athens has an energy management agreement with Merrill Lynch Commodities, Inc.

The Athens Generating Plant is located in Athens NY, Greene County. The plant is connected to National Grid's system at the switchyard located immediately next to the plant. The plant is connected to the grid system at 345KV. While the plant is located in Central Hudson Gas and Electric's service territory, the only interface with Central Hudson Gas and Electric is a backup power feed to the substation. There is one interconnection point for each of the 3 combined cycle generating units; all units operate at the same voltage level. The plant is located in NPCC's area. The Athens plant peak output is 1154 MWs.

Audit Specifics

The compliance audit was conducted from August 24 to September 14, 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

New Athens Generating Company, LLC

Title	Organization
CPV Vice President of Regulatory Compliance	Competitive Power Ventures, Inc
CPV Asset Manager of Athens and Athens Vice President of Management	Competitive Power Ventures, Inc
NAES Athens Plant Manager	North American Energy Services Corporation
NAES Athens Plant Engineer	North American Energy Services Corporation
NAES Athens O&M Manager	North American Energy Services Corporation

Audit Results

New Athens Generating Company, LLC provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation. An interview was requested with a Lead O&M Technician, which was promptly granted and conducted.

The audit team evaluated New Athens Generating Company, LLC on 58 requirements and sub-requirements in 13 Reliability Standards. Based on the information and documentation provided, the audit team found New Athens Generating Company, LLC to be compliant with 43 of 58 applicable requirements and sub-requirements and 10 of the 13 applicable NERC Reliability Standards. The audit team determined that 15 requirements and sub-requirements and 3 NERC Reliability Standards were not applicable to New Athens Generating Company, LLC.

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
CIP-001-1	R2	Compliant
CIP-001-1	R3	Compliant
CIP-001-1	R4	Compliant
COM-002-2	R1	Compliant

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

FAC-008-1	R1	Compliant
FAC-008-1	R1.1	Compliant
FAC-008-1	R1.2	Compliant
FAC-008-1	R1.2.1	Compliant
FAC-008-1	R1.2.2	Compliant
FAC-008-1	R1.3	Lead In
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	Not Applicable
FAC-008-1	R2	Not Applicable
FAC-008-1	R3	Not Applicable
FAC-009-1	R1	Compliant
FAC-009-1	R2	Compliant
IRO-001-1	R8	Not Applicable
IRO-004-1	R4	Compliant
IRO-005-1	R13	Not Applicable
PRC-001-1	R1	Compliant
PRC-001-1	R2	Compliant
PRC-001-1	R2.1	Not Applicable
PRC-001-1	R3	Compliant
PRC-001-1	R3.1	Compliant
PRC-001-1	R5	Not Applicable
PRC-001-1	R5.1	Not Applicable
PRC-004-1	R2	Not Applicable
PRC-004-1	R3	Not Applicable
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	Compliant
PRC-017-0	R1.1	Compliant
PRC-017-0	R1.1.1	Compliant
PRC-017-0	R1.1.2	Not Applicable
PRC-017-0	R1.1.3	Not Applicable
PRC-017-0	R1.1.4	Compliant
PRC-017-0	R1.2	Compliant
PRC-017-0	R1.3	Compliant
PRC-017-0	R1.4	Compliant
PRC-017-0	R1.5	Compliant
TOP-001-1	R3	Compliant
TOP-001-1	R6	Not Applicable
TOP-001-1	R7	Not Applicable

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	R14.1	Compliant
TOP-002-2	R15	Not Applicable
TOP-002-2	R18	Compliant

Compliance Culture

The audit team reviewed New Athens Generating Company, LLC's compliance culture. During all contacts, the New Athens Generating Company, LLC representatives, which were comprised of Competitive Power Ventures, Inc (CPV) and North American Energy Services Corporation (NAES) employees, were very professional and positive in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability. The additional information requested and the interview of the Lead O&M Technician were provided promptly.

Both NAES, as the O&M provider, and CPV, as asset manager, cooperate in monitoring and overseeing the implementation of Athens' compliance program. The plant engineer, supervised by the plant manager has the lead responsibility for the day-to-day management of Athens' internal compliance program, including working with plant personnel whose jobs correspond to reliability standards. The plant engineer reports directly to the plant manager, who reports to the CPV asset manager, who is also Athens' VP of Management. The VP of Management is authorized to sign all NERC/NPCC documents on Athens' behalf.

CPV's Vice President of Regulatory Compliance oversees and supports all NERC-related activities. The compliance officer, CPV's Vice President of Regulatory Compliance, has independent access to CPV's CEO, and has periodic meetings with CPV's Compliance Oversight Committee comprised of its CEO, Senior VP of Asset Management, Senior VP of Trading, Senior VP of Development and its General Counsel to provide regulatory compliance updates and status reports.