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Compliance Audit Report Public Version

Caithness Long Island LLC
(CLI)
NERC ID#10353

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Critical Energy Infrastructure Information)
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Date of Audit: February 3, 2010

Caithness Long Island LLC Compliance Audit Report
February 22, 2010

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Executive Summary

A compliance audit of Caithness Long Island LLC (CLI), NERC ID # 10353 was conducted from February 3, 2010. At the time of the audit, CLI was registered for the GO/GOP functions.

The audit team evaluated CLI for compliance with seventeen standards and their eighty-nine requirements and sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period from their effective registration date of August 14, 2009 to February 3, 2010. CLI submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CLI to assess compliance with standards applicable to CLI at this time.

Based on the information and documentation provided by CLI, the audit team found CLI to be compliant with fifteen standards and their seventy applicable requirements and sub-requirements. The audit team determined that two standards and their nineteen requirements and sub-requirements were not applicable to CLI. The audit team identified zero Possible Alleged Violation(s).

Any Possible Alleged Violations will be processed through the NERC and NPCC CMEP.

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 NPCC CMEP. The NPCC 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 an audit for compliance with all reliability standards applicable to the functions for which the Registered Entity is registered.* The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to CLI, based on the functions that CLI is registered to perform;

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

- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by NPCC;
- Validate compliance with applicable regional standards from the NPCC 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document CLI's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the off-site compliance audit included the NERC Reliability Standards from the NPCC 2010 Implementation Plan. In addition, this audit included any self-reports, self-certifications, outstanding mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, CLI was registered for the functions GO/GOP. The audit team evaluated CLI for compliance during the period of August 14, 2009 to February 3, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the NPCC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. CLI was informed of the NPCC obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to CLI. CLI was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. CLI had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by CLI.

Methodology

The audit team reviewed the information, data, and evidence submitted by CLI and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to NPCC thirty days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by CLI. Data, information and evidence submitted in the form of policies, procedures, e-mails, logs, studies, data sheets, etc. which were validated, substantiated and cross-checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electrical System (BES).

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the audit team.

Company Profile

Caithness Long Island is a wholly-owned subsidiary of Caithness Energy, LLC, a privately-held, New York-based, independent power producer. Caithness Energy, LLC is a privately held Independent Power Producer specializing in power generation from environmentally friendly renewable and non-renewable energy resources. Our primary focus for over 25 years has been the development, acquisition, operation and management of renewable geothermal, wind and solar energy power projects, as well as (environmentally friendly) natural gas power plants.

The Caithness Long Island Energy Center was developed by Caithness Long Island, LLC who also owns and operates the facility. Caithness Long Island currently has a contract with Siemens Energy, Inc. to provide O&M services for the facility. Generation is interconnected jointly with the New York Independent System Operator, Inc. (NYISO) and the Long Island Lighting Company, d/b/a/ LIPA, a wholly-owned subsidiary of Long Island Power Authority. This 138kV interconnection is located at the LIPA Sills Road Switchyard among the Brookhaven, Holtsville and Holbrook substations.

Caithness Long Island is a combined cycle plant with one gas and one steam turbine generating 350 MW.

Audit Participants

The following is a listing of all personnel from the Audit Team and CLI who were present during the meetings or interviews.

Audit Team Participants

Title	Entity
Lead Compliance Auditor	NPCC
Manager - Compliance Audits	NPCC

CLI Audit Participants

Title	Entity
Engineer-Primary Compliance Contact	Caithness Long Island LLC
Plant Manager	Siemens
O&M Manager	Siemens
Vice President	Caithness Long Island LLC

Audit Results

The audit team evaluated CLI for compliance with seventeen standards and their eighty-nine requirements and sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period from August 14, 2009 to February 3, 2010. CLI submitted information and documentation for the audit team's evaluation of compliance with the requirements. The audit team reviewed and evaluated all information provided by CLI to assess compliance with standards applicable to CLI at this time.

Based on the information and documentation provided by CLI, the audit team found CLI to be compliant with fifteen standards and their seventy applicable requirements and sub-requirements. The audit team determined that two standards and their nineteen requirements and sub-requirements were not applicable to CLI. The audit team identified zero Possible Alleged Violation(s).

Findings

The following table details the findings for compliance for the scope identified for this audit.

Reliability Std	Req.	Finding
COM-002-2	R1.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
FAC-002-0	R1.	Compliant
FAC-002-0	R1.4.	Compliant
FAC-002-0	R1.5.	Compliant
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

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FAC-008-1	R1.3.	Compliant
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.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
IRO-005-1	R13.	Compliant
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R3.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R4.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R4.1.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R4.2.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R4.3.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R5.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R6.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R7.	Not Applicable
NUC-001-1 <i><u>Effective April 1, 2009</u></i>	R8.	Not Applicable
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant

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PRC-001-1	R2.1.	Compliant
PRC-001-1	R3.1.	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R5.1.	Compliant
PRC-004-1	R2.	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-017-0	R1.	Not Applicable
PRC-017-0	R1.1.	Not Applicable
PRC-017-0	R1.1.1.	Not Applicable
PRC-017-0	R1.1.2.	Not Applicable
PRC-017-0	R1.1.3.	Not Applicable
PRC-017-0	R1.1.4.	Not Applicable
PRC-017-0	R1.2.	Not Applicable
PRC-017-0	R1.3.	Not Applicable
PRC-017-0	R1.4.	Not Applicable
PRC-017-0	R1.5.	Not Applicable
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
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	R14.2.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R1.1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
VAR-002-1a	R1.	Compliant
VAR-002-1a	R2.	Compliant
VAR-002-1a	R2.1.	Compliant
VAR-002-1a	R2.2.	Compliant
VAR-002-1a	R3.	Compliant

VAR-002-1a	R3.1.	Compliant
VAR-002-1a	R3.2.	Compliant
VAR-002-1a	R4.	Compliant
VAR-002-1a	R4.1.	Compliant
VAR-002-1a	R4.1.1.	Compliant
VAR-002-1a	R4.1.2.	Compliant
VAR-002-1a	R4.1.3.	Compliant
VAR-002-1a	R4.1.4.	Compliant
VAR-002-1a	R5.	Compliant
VAR-002-1a	R5.1.	Compliant

Compliance Culture

CLI's compliance culture was not reviewed by the audit team. CLI has stated that they are in the process of creating a formal compliance program. It should be noted that CLI is a relatively new registrant-August 14, 2009. In the Lead Auditor's opinion, CLI has created an excellent set of procedures to specifically address the reliability standards as they pertain to its registered functions. In addition, all contact with CLI was very timely and professional in manner and their commitment to compliance was evident to the audit team.