

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



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Compliance Audit Report Public Version

**Canandaigua Power Partners II, LLC
(CPP II)
NERC ID# NCR10329**

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Critical Energy Infrastructure Information)
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Date of Audit: April 5, 2010

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Executive Summary

A compliance audit of Canandaigua Power Partners II, LLC (CPP II), NERC ID #NCR10329 was conducted on April 5, 2010. At the time of the audit, CPP II was registered for the GO function.

The audit team evaluated CPP II for compliance with nine standards and their associated fifty 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 May 15, 2009 to April 5, 2010. CPP II 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 CPP II to assess compliance with standards applicable to CPP II at this time.

Based on the information and documentation provided by CPP II, the audit team found CPP II to be compliant with seven standards and thirty-two applicable requirements and sub-requirements. The audit team determined that two standards and eighteen requirements and sub-requirements were not applicable to CPP II. 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 CPP II, based on the functions that CPP II 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 CPP II'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, CPP II was registered for the function of GO. The audit team evaluated CPP II for compliance during the period from May 15, 2009 to April 5, 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. CPP II was informed of NPCC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to CPP II. CPP II 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. CPP II 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 CPP II.

Methodology

The audit team reviewed the information, data, and evidence submitted by CPP II and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to NPCC by 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 CPP II. 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 Electric 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

Relevant Company Names

- First Wind Holdings, LLC – Parent Company
- First Wind Energy, LLC – Employs all Personnel
- First Wind O&M, LLC – Operations and Maintenance Company
- Canandaigua Power Partners, LLC – Generation Owing Company
- Canandaigua Power Partners II, LLC – Generation Owing Company

Note: the above companies together are sometimes referred to collectively as (“First Wind”).

Description of Parent Company

First Wind Holdings, LLC is the parent company of all the above Companies. First Wind Holdings, LLC is in the business of developing, constructing, owning, and operating wind energy generation facilities. First Wind Holdings directly or indirectly owns and controls the operations of all companies in the First Wind family of companies.

We currently focus on developing wind farms in the northeastern and western regions of the U.S. and in Hawaii and are already producing 503 megawatts (MW) of energy through seven operating wind farms. First Wind is currently developing wind energy projects in several markets through various subsidiary companies.

Operation & Maintenance Philosophy: First Wind places a high value on hands-on operational control, helping assure that our wind farms are well-run and safe, consistent with utility operating practices, providing excellent clean energy availability for our customers.

Currently, First Wind assigns a full-time Operations Manager for each project supported by additional individuals dedicated to site management. Working together, First Wind's on-site staff manages all third party contracted turbine operations and maintenance services, maintains the balance of the plant, oversees local community involvement activities, and ensures permit compliance. (See www.FirstWind.com)

Regulatory and contract compliance, project reporting and procurement functions for all operating projects is supported by a team of regulatory, operating and finance managers.

Organization and Structure

First Wind O&M, LLC is responsible for operations and maintenance of generation facilities. It is owned by First Wind Energy, LLC.

Canandaigua Power Partners, LLC and Canandaigua Power Partners II, LLC own generation and interconnection assets. They are 100% owned indirectly by First Wind Holdings, LLC.

First Wind Energy, LLC employs all personnel. All functions for the Relevant Companies are performed by First Wind Energy, LLC personnel. It is owned by First Wind Holdings, LLC.

Audit Participants

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

Audit Team Participants

Title	Entity
Lead Compliance Auditor	NPCC
Manager - Compliance Audits	NPCC
Compliance Auditor	NPCC
Compliance Auditor	NPCC

CPP II Audit Participants

Title	Entity
Reliability Compliance Manager	Canandaigua Power Partners II
Regulatory Compliance Officer	Canandaigua Power Partners II
DACC Manager	Canandaigua Power Partners II
Regional Services Manager	Canandaigua Power Partners II
Commercial Asset Manager	Canandaigua Power Partners II
Vice President Engineering	Canandaigua Power Partners II
Vice President Transmission	Canandaigua Power Partners II
Vice President Wind Resources	Canandaigua Power Partners II
Nexant Consultant	Nexant
Nexant Consultant	Nexant

Audit Results

The audit team evaluated CPP II for compliance with nine standards and their associated fifty requirements and sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period from May 15, 2009 to April 5, 2010. CPP II submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by CPP II to assess compliance with standards applicable to CPP II at this time.

Based on the information and documentation provided by CPP II, the audit team found CPP II to be compliant with seven standards and thirty-two applicable requirements and sub-requirements.

The audit team determined that two standards and eighteen requirements and sub-requirements were not applicable to CPP II. The audit team identified no Possible Alleged Violation(s).

Findings

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

Reliability Std	Req.	Finding
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
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-004-1	R4.	Compliant
NUC-001-1	R3. - R8.	Not Applicable
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.- 1.5	Not Applicable
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.	Not Applicable

Compliance Culture

CPP II's compliance culture was not formally reviewed by the audit team. CPP II has created a formal compliance program in a short period of time; it should be noted that CPP II is a relatively new registrant-May 15, 2009. In the Lead Auditor's opinion, CPP II 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 CPP II was very timely and professional in manner and their commitment to compliance was evident to the audit team.