

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



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Compliance Audit Report Public Version

Carthage Energy LLC
NERC ID# NCR10355

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Date of Audit: February 24 - March 31, 2010

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Executive Summary

A compliance audit of Carthage Energy LLC (Carthage), NERC ID # NCR10355 was conducted from February 24 to March 31, 2010. At the time of the audit, Carthage was registered for the GO/GOP functions.

The audit team evaluated Carthage for compliance with 17 standards and 41 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed NERC Reliability Standards for the period of August 14, 2009 to March 31, 2010. Carthage submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Carthage to assess compliance with standards applicable to Carthage at this time.

Based on the information and documentation provided by Carthage, the audit team found Carthage to be compliant with 37 applicable requirements. The audit team determined that 4 requirements were not applicable to Carthage. The audit team identified zero Possible Alleged Violation(s).

Any Possible Alleged Violation(s) 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. 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 Carthage, based on the functions that Carthage is registered to perform;
- 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;

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

- 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 Carthage's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the 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, Carthage was registered for the functions GO/GOP. The audit team evaluated Carthage for compliance during the period of August 14, 2009 to March 31, 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. Carthage was informed of the NPCC obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Carthage. Carthage 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. Carthage 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 Carthage.

Methodology

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

Carthage Energy LLC Merchant Facility has constructed and operates a turbine powered combined cycle merchant facility on the Village of Carthage, Jefferson County, New York. The facility includes a GE Frame 6 Combustion Turbine/Electric Generator and a supplementary-fired Heat Recovery Steam Generator and associated Steam Turbine/Electric generator. The combustion units are fired on natural gas as the primary fuel with the capability of firing distillate oil for back-up. The facility has a nominal rating of approximately 60 MW.

Audit Participants

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

Audit Team Participants

Title	Entity
Manager – Compliance	NPCC
Contract Auditor	NPCC

Carthage Audit Participants

Title	Entity
Asset Manager	Carthage
President	Carthage
Operations Manager	Wood Group

Audit Results

The audit team evaluated Carthage for compliance with 41 requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of August 14, 2009 to March 31, 2010. Carthage submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Carthage to assess compliance with standards applicable to Carthage at this time.

Based on the information and documentation provided by Carthage, the audit team found Carthage to be compliant with 37 applicable requirements. The audit team determined that 4 requirements were not applicable to Carthage.

Findings

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

Reliability Std	Requirement	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	Not Applicable
FAC-002-0	R2	Not Applicable
FAC-008-1	R1	Compliant
FAC-008-1	R2	Compliant
FAC-008-1	R3	Compliant
FAC-009-1	R1	Compliant
FAC-009-1	R2	Compliant
IRO-001-1.1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-2	R13	Compliant
NUC-001-1	R1	Not Applicable
PRC-001-1	R1	Compliant
PRC-001-1	R2	Compliant
PRC-001-1	R3.1	Compliant
PRC-001-1	R5	Compliant
PRC-004-1	R2	Compliant
PRC-004-1	R3	Compliant
PRC-005-1	R1	Compliant
PRC-005-1	R2	Compliant
PRC-017-0	R1	Not Applicable
TOP-001-1	R3	Compliant
TOP-001-1	R6	Compliant
TOP-001-1	R7	Compliant
TOP-002-2	R3	Compliant
TOP-002-2	R13	Compliant
TOP-002-2	R14	Compliant
TOP-002-2	R15	Compliant
TOP-002-2	R18	Compliant
TOP-003-0	R1	Compliant
TOP-003-0	R2	Compliant
TOP-003-0	R3	Compliant
VAR-002-1.1a	R1	Compliant
VAR-002-1.1a	R2	Compliant
VAR-002-1.1a	R3	Compliant

VAR-002-1.1a	R4	Compliant
VAR-002-1.1a	R5	Compliant

Compliance Culture

Carthage's compliance culture was reviewed by the audit team.

Carthage Energy, LLC uses the program at the Wood Group that includes a Compliance Manager assigned specifically for the Carthage Generation Facility as well as support from the Wood Group's internal NERC Compliance Manager. Carthage Energy, LLC has engaged in a separate consulting contract with the Wood Group's internal NERC Compliance Manager in addition to the O&M Services Agreement. In planning for and tracking its compliance efforts, the Wood Group uses its WGPS Regulatory Management System that outlines the NERC Compliance Program executed at Carthage Energy.

Additional information pertaining to the compliance culture of Carthage can be found in the Internal Compliance Survey.