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Compliance Audit Report Public Version

Covanta West Enfield NERC ID# NCR10298

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Date of Audit: March 24 to April 16, 2010

Covanta West Enfield Compliance Audit Report
April 16, 2010

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Executive Summary

A compliance audit of Covanta West Enfield (Covanta), NERC ID # NCR10298 was conducted from March 24, 2010 to April 16, 2010. At the time of the audit, Covanta was registered for the GO/GOP functions.

The audit team evaluated Covanta for compliance with seventeen (17) standards and their ninety (90) 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 January 23, 2009 to March 24, 2010. Covanta 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 Covanta to assess compliance with standards applicable to Covanta at this time.

Based on the information and documentation provided by Covanta, the audit team found Covanta to be compliant with thirteen (13) standards and sixty-eight (68) applicable requirements and sub-requirements. The audit team determined that four (4) standards and twenty-two (22) requirements and sub-requirements were not applicable to Covanta. 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 mitigation plans. However, there was a Spot Check Audit for Compliance to NERC's Reliability Standards completed on December 21, 2009. Covanta West Enfield did not have any self reports or violations during the audit period. This NPCC Spot Check audit of CIP-001-1 R1, R2, R3, R4, FAC-008-1 R1, R1.1, R1.2, R1.2.1, R1.2.2, R1.3, R1.3.1, R1.3.2, R1.3.3, R1.3.4, R1.3.5, R2, R3 and FAC-009-1 R1, R2 (RSAWs) was completed and accepted as fully compliant with those Standards by NPCC.

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:

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

- Review compliance with the requirements of reliability standards that are applicable to Covanta, based on the functions that Covanta 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;
- 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 Covanta's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of this 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, Covanta was registered for the functions of Generator Owner and Generator Operator. The audit team evaluated Covanta for compliance during the period of January 23, 2009 to March 24, 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. Covanta was informed of NPCC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Covanta. Covanta 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. Covanta 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 Covanta.

Methodology

The audit team reviewed the information, data, and evidence submitted by Covanta 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 Covanta. 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

Covanta West Enfield

Covanta Energy Corporation's principal activities are to develop, own, and operate energy generating facilities, water and wastewater facilities. It develops, owns and operates independent power production projects utilizing a variety of fuels. Covanta operates through two segments: Domestic and International. Domestic segment designs, constructs, and operates key infrastructure for municipalities in waste-to-energy and independent power production. International segment operates independent power production facilities in Asia, South America and Europe. It has interests in international power projects with an aggregate generating capacity of approximately 1061 MW (gross) either operating or under construction.

Covanta Energy has a fairly traditional organizational structure with a corporate office located in Fairfield, NJ. This location provides technical, financial, and administrative support to all facilities. The Americas Operations are divided into 5 regions with each region being managed by a Vice President of Operations and Vice President of Business Management, all reporting through a Senior Vice President located at Fairfield.

Covanta West Enfield provides clean renewable energy solutions through combusting wood waste from forest operations, thinnings, and sawmills. It works in conjunction with participating Forest Industries to take in wood waste byproducts from forest and sawmill operations and combusts the waste in boilers to produce steam, which drives turbines which, in turn, produces clean and renewable power.

The site organization has a fairly flat hierarchy structure which consists of the Facility Manager, Chief Engineer who manages all Operators, Maintenance Technicians, and other administrative staff.

Power Plants

The Covanta West Enfield facility operates one generator with an operating voltage of 12.5 KV. The base Plant generator is rated for 32,353 KVA. The generating system utilizes its own step up transformer raising export voltage to 115 KV. The supply is connected via a 1.5 mile transmission line and connects to Line 64 via the line switch 64-07 at the Enfield Switching Station. Covanta West Enfield does not own or maintain any transmission line beyond the disconnect switch located within the facility campus.

Audit Participants

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

Audit Team Participants

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

Covanta West Enfield Audit Participants

Title	Entity
Facility Manager	Covanta West Enfield
Chief Engineer	Covanta West Enfield
NERC/Asset Compliance Specialist	Covanta
VP Maintenance/Asset Reliability	Covanta

Audit Results

The audit team evaluated Covanta West Enfield for compliance with seventeen (17) standards and their ninety (90) requirements and sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period from January 23, 2009 to March 24, 2010. Covanta submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Covanta to assess compliance with standards applicable to Covanta at this time.

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Findings

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

Reliability Standard	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	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

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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	Not Applicable
IRO-004-1	R4	Compliant
IRO-005-1	R13	Not Applicable
NUC-001-1	R3	Not Applicable
NUC-001-1	R4	Not Applicable
NUC-001-1	R4.1	Not Applicable
NUC-001-1	R4.2	Not Applicable
NUC-001-1	R4.3	Not Applicable
NUC-001-1	R5	Not Applicable
NUC-001-1	R6	Not Applicable
NUC-001-1	R7	Not Applicable
NUC-001-1	R8	Not Applicable

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PRC-001-1	R1	Compliant
PRC-001-1	R2	Compliant
PRC-001-1	R2.1	Compliant
PRC-001-1	R3	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

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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	Not Applicable
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

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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

Covanta's compliance culture was reviewed by the audit team. During all contacts, the Covanta representatives were very professional and positive in their approach to compliance. All additional information and data requested was provided promptly, comprehensively and well organized.

The Covanta NERC Compliance Program assists all of its NERC registered facilities in achieving Bulk Electric System reliability goals while maintaining compliance with all associated FERC/NERC laws, Standards and/or regulations. The NERC Compliance program is

owned by the VP, Maintenance/Asset Reliability, who centrally oversees all efforts with the NERC Compliance program, with assistance from the NERC/Asset Compliance Specialist.

Locally, at each registered plant, the Facility Manager (FM) or General Manager (GM) has direct accountability for NERC Compliance. Assisting the FM or GM is a NERC representative who is also a local subject matter expert on NERC procedures and standards. The facilities bear primary responsibility for ensuring it is compliant with NERC Program requirements.

Covanta has created a set of procedures to specifically address the reliability standards as they pertain to its registered functions. Additionally, the audit indicates that an internal training program has also been implemented. Additional information pertaining to the compliance culture of Covanta can found in the Internal Compliance Survey.