

Confidential Information (including Privileged and Critical Energy Infrastructure Information)
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Compliance Audit Report Public Version

Milford Power Limited Partnership NERC ID# NCR07143

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Date of Audit: April 16 to May 28, 2010

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Executive Summary

A compliance audit of Milford Power Limited Partnership (Milford Power), NERC ID # NCR07143 was conducted from April 16 to May 28, 2010. At the time of the audit, Milford Power was registered for the Generator Owner function.

The audit team evaluated Milford Power for compliance with nine (9) standards and their fifty-three (53) 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 June 21, 2007 to April 16, 2010. Milford Power 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 Milford Power to assess compliance with standards applicable to Milford Power at this time.

Based on the information and documentation provided by Milford Power, the audit team found Milford Power to be compliant with six (6) standards and twenty-six (26) applicable requirements and sub-requirements. The audit team determined that three (3) standards and twenty-seven (27) requirements and sub-requirements were not applicable to Milford Power.

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 Milford Power, based on the functions that Milford Power 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 Milford Power'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, Milford Power was registered for the function of Generator Owner. The audit team evaluated Milford Power for compliance during the period from June 21, 2007 to April 16, 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. Milford Power was informed of NPCC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to Milford Power. Milford Power 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. Milford Power 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 Milford Power.

Methodology

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

Milford Power Limited Partnership

Milford Power Limited Partnership is a wholly owned subsidiary of International Power America, Inc, and International Power America, Inc is a wholly owned subsidiary of International Power pIc, a UK based company. International Power pIc is one of the world's leading power generation companies with interests in 17 countries across the globe and more than 30,000 MW of generating capacity. In North America, International Power is a growing independent power company with 3 corporate offices in Massachusetts, New York and Texas and 7800 MW located in Texas, Massachusetts, Illinois, Ohio, Pennsylvania, West Virginia and Puerto Rico. International Power is dedicated to bringing innovative and balanced solutions to the energy industry and is powered by a commitment to deliver the best possible energy solution to every region it serves.

Milford Power, LP is a single unit CCGT plant located in Milford, Massachusetts. The plant utilizes a Westinghouse combustion turbine, ABB steam turbine and Nooter-Erikson heat recovery steam generator to achieve its nominal rating of 157MW. The plant's sole fuel source is natural gas. The plant connects to the National Grid Depot Substation at 115kv.

Audit Participants

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

Audit Team Participants

Title	Entity
Lead Compliance Auditor	NPCC
Manager - Compliance Audits	NPCC

Milford Power Audit Participants

Title	Entity
Director, Compliance	International Power America

Audit Results

The audit team evaluated Milford Power for compliance with nine (9) standards and their fifty-three (53) requirements and sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period from June 21, 2007 to April 16, 2010. Milford Power submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by Milford Power to assess compliance with standards applicable to Milford Power at this time.

Based on the information and documentation provided by Milford Power, the audit team found Milford Power to be compliant with six (6) standards and twenty-six (26) applicable requirements and sub-requirements. The audit team determined that three (3) standards and twenty-seven (27) requirements and sub-requirements were not applicable to Milford Power.

Findings

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

Reliability Standard	Requirement	Finding
FAC-002-0	R1.	Not Applicable
FAC-002-0	R1.4.	Not Applicable
FAC-002-0	R1.5	Not Applicable
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

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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-004-1	R4.	Compliant
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

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NUC-001-1	R7.	Not Applicable
NUC-001-1	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.	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

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
VAR-002-1a	R5.1.	Not Applicable

Compliance Culture

The audit team reviewed the Milford Power compliance culture. During all contacts, the Milford Power representative was very professional and positive in his approach to compliance. All additional information and data requested was provided promptly, comprehensively and well organized.

The Director of Compliance is responsible for the implementation and management of the internal compliance program. The Director of Compliance works with each site’s Production Manager to ensure procedures and practices are in place to comply with ISO-NE, NPCC and NERC requirements. The day-to-day compliance responsibility falls to the individual site Production Managers but overall the responsibility is with the Director of Compliance.

The Director of Compliance does have independent access to the President of the company. The Director of Compliance reports to the General Counsel. This was established so there would be no conflict in internal assessments and reporting of suspected non-compliance activities within the other departments.

International Power's internal compliance program has the support and participation of senior management. Any and all issues or suspected issues are reported immediately to senior management as well as the related compliance contacts.

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