Compliance Audit Report
Public Version

Occidental Chemical Corporation (OCC)
NCR09019
August 18-19, 2008

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

October 7, 2008

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EXECUTIVE SUMMARY

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

Occidental Chemical Corporation (OCC) was audited August 18-19, 2008 for compliance with the requirements contained in the currently mandatory and enforceable Reliability Standards in the 2008 NERC Compliance Monitoring and Enforcement Program (CMEP) that are applicable to OCC's registered functions. OCC is registered with SERC Reliability Corporation (SERC) as a Generator Operator (GOP) and Generator Owner (GO). Seventeen standards were selected and identified to OCC as subject to review during this audit. The audit focused on documents and other evidence provided to SERC by the staff of OCC, and did not include any evidence obtained through system observation or inspection. The findings of the audit are based on the state of compliance and current mitigation activity at the time of the audit, and do not reflect past compliance activities or activities that will be completed in the future. OCC staff was requested to provide an informational presentation on their progress with implementation of Cyber Security Standards CIP-002-1 through CIP-009-1.

OCC staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that had been previously identified by SERC Compliance staff to OCC as subject to this audit. OCC staff responded by providing evidence in the form of reports, procedures, studies, and other documents. OCC staff then cited specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented and evaluated by the audit team to assess the level of compliance. If all of the requirements and sub-requirements of an audited standard were met, then OCC was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then OCC was judged to have a possible violation of the standard. A score of 100% is required for compliance.

The audit team determined that OCC does not own or operate Under Voltage Load Shedding, is not part of the Regional Blackstart Plan, does not own or operate any Special Protection Systems and therefore, 3 of the 17 standards applicable to OCC were not applicable. These standards are EOP-009-0, PRC-016-0 and PRC -017-0.

OCC was found to be in compliance with all but one of the standards that were audited. The audit team identified a possible violation of PRC-005-1. OCC had appropriate and complete program information and documentation for all elements of the protective system with the exception of Associated Communication Systems, which were not specifically mentioned or addressed as required. This Audit Team determined this to be a Possible Violation of Requirement 1. It was deemed to be a documentation-only omission.

This audit report includes information about how far OCC missed the requirements for the possible compliance violations. This information will be used to help determine the severity level of sanctions and penalties. The possible compliance violations will be processed through the SERC CMEP. Any further actions related to possible compliance violations will be through that process.

The link to the Occidental Chemical Corporation NOP can be viewed here.

AUDIT PROCESS

The compliance audit process steps are detailed in the NERC CMEP. The NERC 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 audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.[1] The audit objectives are:

- Independently review OCC's compliance with the requirements of the reliability standards that are applicable to OCC based on the OCC registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Document the OCC compliance culture.

Scope

The scope of the audit of OCC included all monitored standards that are in the NERC 2008 CMEP. Based on the confirmed registration of OCC, the 17 Reliability Standards previously indentified were the focus of the compliance audit. Of these 17 standards 3 standards; EOP-009-0, PRC-016-0, and PRC-017-0 were not applicable. This is detailed in the Audit Results section.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will generally be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

Confidentiality and Conflict of Interest

Code of conduct documentation for the regional entity staff was provided to OCC in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to OCC upon request. OCC was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. OCC accepted the audit team member participants with no objections.

On-site Audit

OCC was contacted by letter on February 18, 2008 by SERC staff. The letter provided OCC with their initial notification of their upcoming audit in 2008, and the desire to schedule audit dates that would be acceptable to both parties. SERC staff then provided formal acknowledgement of the scheduled audit dates and requested that OCC both verify their currently registered functions and complete and return an attached Pre-Audit Survey within 30 days.

[1] North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

On May 22, 2008 SERC staff forwarded an Audit Detail Letter to OCC, again confirming the scheduled audit dates and confirming OCC's registered functions within SERC. The Audit Detail Letter also provided OCC with notice of the Standards in Audit Scope, Proposed Audit Schedule, Audit Team Roster (with industry affiliations), and requested that OCC Subject Matter Experts (SMEs) responsible for and knowledgeable of compliance submittals be available for interview during the audit. In addition to the Audit Detail Letter, OCC was provided with a Non-Disclosure Agreement Signature Verification for audit team members, a Pre-Audit Questionnaire, a list of Documents to be Provided or Have Available, and Reliability Standard Auditor Worksheets (RSAWs) for each standard to be audited.

Interviews with SMEs were requested, in conjunction with documented evidence, to provide the audit team with additional information or clarification as a basis for professional judgment when validating compliance with Reliability Standards.

Methodology

A team of auditors was identified and conducted the audit of OCC. The standards were grouped and scheduled for review to make the most efficient use of OCC staff's time. The audit team moderator (ATL or designee) initiated dialogue on each standard requirement and requested compliance evidence. This evidence and OCC's staff response was documented. OCC staff was requested to show valid evidence of meeting each applicable requirement and sub-requirement contained in the 17 standards that had been previously identified by SERC to OCC as subject to this audit. OCC staff responded by providing evidence in the form of reports, procedures, studies and other documents. OCC staff would then cite specific portions of the evidence that demonstrated compliance.

This evidence and the citations were documented by the scribe on the RSAWs and evaluated by the audit team for the level of compliance and agreement with the requirement. Discrepancies between the requirement and the evidence provided were the subject of dialogue among the team members and OCC staff members until it was determined that each requirement was met by the cited evidence or other evidence offered.

Once all the evidence was presented and discussed, if OCC did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and OCC staff was informed.

Audit Overview

The audit team arrived at the OCC offices at 2:30 p.m., August 18, 2008. Following a Security Check and Plant Safety Briefing, the Audit Team Lead (ATL), began the session with an opening presentation. He reviewed the NERC compliance plan for 2008 in general, and how it applied to OCC specifically. The ATL introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of OCC staff and the quality of evidence to be presented. The ATL also covered the basic procedure for the audit, and the bounding rules of conduct. Each member of the audit team was introduced and professional affiliation identified. OCC staff made a brief presentation describing OCC's corporate structure and compliance program. The staff of OCC was introduced, and general housekeeping matters were explained.

Audit

The audit team initially reviewed the registration status of OCC with entity staff to verify applicability of each standard. Each standard's audit began with a recitation of each requirement. OCC staff then presented evidence supporting requirement compliance, or cited evidence previously provided to the audit team. At that point, the evidence was reviewed and

discussed until the team reached agreement on the evidence. By audit team consensus a determination of compliance was reached for each of the requirements, and was communicated to OCC staff before proceeding to the next requirement. At that point the team scribe would record the evidence presented to satisfy the requirement and the team's recommendation on that requirement using the RSAW.

The review of all applicable standards was completed at 6:34 p.m., August 19, 2008 and the audit team met to review and discuss the findings. Following these discussions, the scribe collected all notes and evidence as needed and began to finalize the RSAWs.

Exit Briefing

The ATL presented an exit briefing to the assembled audit team and entity staff at 7:09 p.m., August 19, 2008. This was followed by an informal response and questions from the OCC staff. The exit briefing summarized the team's preliminary conclusions, including any items of potential noncompliance or possible violation with supporting information, areas of concern, any added information required and the expected timeline for review and issuance of the audit report.

The ATL solicited both informal comments from OCC staff, along with requesting that they fill out formal feedback forms for submission to NERC and SERC.

The audit team left the OCC meeting room at 7:45 p.m., August 19, 2008.

Company Profile

The Taft Cogeneration Facility is located adjacent to the Occidental Chemical Taft Plant near New Orleans, Louisiana. The facility is interconnected to Entergy at 230 kV. The Taft Cogeneration Facility has no transmission facilities.

The formal name of the entity responsible for NERC Standards compliance of the Taft Cogeneration Facility is Occidental Energy Ventures Corp. (OEVC). Occidental Chemical Corporation operates the facility. OEVC and Occidental Chemical Corporation are 100% indirectly owned subsidiaries of Occidental Petroleum Corporation (OPC). Occidental Chemical Corporation is organized into typical chemical business functions; e.g., manufacturing, finance, human resources, marketing & sales, purchasing, etc. The facility operation is part of manufacturing (cogeneration units operating at production plants providing steam and electricity to the host plant).

Audit Specifics

The compliance audit was conducted August 18-19, 2008 at the Occidental Chemical Company's Taft Cogeneration Facility in Hahnville, Louisiana.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Compliance Auditor	SERC Reliability Corporation
Member	Senior Compliance Auditor	SERC Reliability Corporation
Member	Associate Compliance Auditor	SERC Reliability Corporation

OCC Audit Participants Titles and Organizations

Title	OPC Organization
Vice President Power	Occidental Energy Ventures, Corp.
Operations Manager – Cogeneration/CA – Taft Plant	Occidental Chemical Corporation
Senior Maintenance Engineer	Occidental Chemical Corporation
Regulatory Analyst	Occidental Energy Marketing, Inc.
Senior Counsel	Occidental Energy Marketing, Inc.
President	Occidental Energy Ventures Corp.
Vice President, NERC Administration	The Energy Group (Consultant)
Director, Business Planning & Development	The Energy Group (Consultant)
Consultant	Energy Affairs Consulting
Process Supervisor	Occidental Chemical Corporation
Senior Electrical Engineer	Occidental Chemical Corporation
HESS Department – Taft Plant	Occidental Chemical Corporation

AUDIT RESULTS

The audit team found OCC to be in compliance with all of the NERC Reliability Standards in the audit scope, with the exception of a possible violation of PRC-005-1 Requirement 1. Please see Findings Table below.

Findings

Reliability Standard	Requirement	Finding
BAL-001-0	R1.	N/A
BAL-001-0	R2.	N/A
BAL-001-0	R3.	N/A
BAL-001-0	R4.	N/A
BAL-002-0	R1.	N/A
BAL-002-0	R2.	N/A
BAL-002-0	R3.	N/A
BAL-002-0	R4.	N/A
BAL-002-0	R5.	N/A
BAL-002-0	R6.	N/A
BAL-003-0	R1.	N/A
BAL-003-0	R2.	N/A
BAL-003-0	R3.	N/A
BAL-003-0	R4.	N/A
BAL-003-0	R5.	N/A
BAL-003-0	R6.	N/A
BAL-004-0	R1.	N/A
BAL-004-0	R2.	N/A
BAL-004-0	R3.	N/A
BAL-004-0	R4.	N/A

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	N/A
BAL-005-0	R3.	N/A
BAL-005-0	R4.	N/A
BAL-005-0	R5.	N/A
BAL-005-0	R6.	N/A
BAL-005-0	R7.	N/A
BAL-005-0	R8.	N/A
BAL-005-0	R9.	N/A
BAL-005-0	R10.	N/A
BAL-005-0	R11.	N/A
BAL-005-0	R12.	N/A
BAL-005-0	R13.	N/A
BAL-005-0	R14.	N/A
BAL-005-0	R15.	N/A
BAL-005-0	R16.	N/A
BAL-005-0	R17.	N/A
BAL-006-1	R1.	N/A
BAL-006-1	R2.	N/A
BAL-006-1	R3.	N/A
BAL-006-1	R4.	N/A
BAL-006-1	R5.	N/A
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002-1 through CIP-009-1		N/A
COM-001-1	R1.	N/A
COM-001-1	R2.	N/A
COM-001-1	R3.	N/A
COM-001-1	R4.	N/A
COM-001-1	R5.	N/A
COM-001-1	R6.	N/A
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
EOP-001-0	R1.	N/A
EOP-001-0	R2.	N/A
EOP-001-0	R3.	N/A
EOP-001-0	R4.	N/A
EOP-001-0	R5.	N/A
EOP-001-0	R6.	N/A
EOP-001-0	R7.	N/A

Reliability Standard	Requirement	Finding
EOP-002-2	R1.	N/A
EOP-002-2	R2.	N/A
EOP-002-2	R3.	N/A
EOP-002-2	R4.	N/A
EOP-002-2	R5.	N/A
EOP-002-2	R6.	N/A
EOP-002-2	R7.	N/A
EOP-002-2	R8.	N/A
EOP-002-2	R9.	N/A
EOP-003-1	R1.	N/A
EOP-003-1	R2.	N/A
EOP-003-1	R3.	N/A
EOP-003-1	R4.	N/A
EOP-003-1	R5.	N/A
EOP-003-1	R6.	N/A
EOP-003-1	R7.	N/A
EOP-003-1	R8.	N/A
EOP-004-1	R1.	N/A
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	N/A
EOP-004-1	R5.	N/A
EOP-005-1	R1.	N/A
EOP-005-1	R2.	N/A
EOP-005-1	R3.	N/A
EOP-005-1	R4.	N/A
EOP-005-1	R5.	N/A
EOP-005-1	R6.	N/A
EOP-005-1	R7.	N/A
EOP-005-1	R8.	N/A
EOP-005-1	R9.	N/A
EOP-005-1	R10.	N/A
EOP-005-1	R11.	N/A
EOP-006-1	R1.	N/A
EOP-006-1	R2.	N/A
EOP-006-1	R3.	N/A
EOP-006-1	R4.	N/A
EOP-006-1	R5.	N/A
EOP-006-1	R6.	N/A
EOP-008-0	R1.	N/A
EOP-009-0	R1.	N/A
EOP-009-0	R2.	N/A

Reliability Standard	Requirement	Finding
FAC-003-1	R1.	N/A
FAC-003-1	R2.	N/A
FAC-003-1	R3.	N/A
FAC-003-1	R4.	N/A
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
FAC-013-1	R1.	N/A
FAC-013-1	R2.	N/A
INT-001-2	R1.	N/A
INT-001-2	R2.	N/A
INT-003-2	R1.	N/A
INT-004-1	R1.	N/A
INT-004-1	R2.	N/A
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	Compliant
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
IRO-003-2	R1.	N/A
IRO-003-2	R2.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A
IRO-005-1	R6.	N/A
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A

Reliability Standard	Requirement	Finding
IRO-005-1	R9.	Compliant
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A
IRO-005-1	R12.	N/A
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
IRO-006-3	R1.	N/A
IRO-006-3	R2.	N/A
IRO-006-3	R3.	N/A
IRO-006-3	R4.	N/A
IRO-006-3	R5.	N/A
IRO-006-3	R6.	N/A
IRO-014-1	R1.	N/A
IRO-014-1	R2.	N/A
IRO-014-1	R3.	N/A
IRO-014-1	R4.	N/A
IRO-015-1	R1.	N/A
IRO-015-1	R2.	N/A
IRO-015-1	R3.	N/A
IRO-016-1	R1.	N/A
IRO-016-1	R2.	N/A
PER-002-0	R1.	N/A
PER-002-0	R2.	N/A
PER-002-0	R3.	N/A
PER-002-0	R4.	N/A
PER-003-0	R1.	N/A
PER-004-1	R1.	N/A
PER-004-1	R2.	N/A
PER-004-1	R3.	N/A
PER-004-1	R4.	N/A
PER-004-1	R5.	N/A
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Possible Violation
PRC-005-1	R2.	Compliant
PRC-008-0	R1.	N/A
PRC-008-0	R2.	N/A
PRC-010-0	R1.	N/A

Reliability Standard	Requirement	Finding
PRC-010-0	R2.	N/A
PRC-011-0	R1.	N/A
PRC-011-0	R2.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-021-1	R1.	N/A
PRC-021-1	R2.	N/A
TOP-002-2	R1.	N/A
TOP-002-2	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	N/A
TOP-002-2	R5.	N/A
TOP-002-2	R6.	N/A
TOP-002-2	R7.	N/A
TOP-002-2	R8.	N/A
TOP-002-2	R9.	N/A
TOP-002-2	R10.	N/A
TOP-002-2	R11.	N/A
TOP-002-2	R12.	N/A
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	N/A
TOP-002-2	R17.	N/A
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	N/A
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	N/A
TOP-004-1	R1.	N/A
TOP-004-1	R2.	N/A
TOP-004-1	R3.	N/A
TOP-004-1	R4.	N/A
TOP-004-1	R5.	N/A
TOP-004-1	R6.	N/A
TOP-005-1	R1.	N/A
TOP-005-1	R2.	N/A
TOP-005-1	R3.	N/A

Reliability Standard	Requirement	Finding
TOP-005-1	R4.	N/A
TOP-007-0	R1.	N/A
TOP-007-0	R2.	N/A
TOP-007-0	R3.	N/A
TOP-007-0	R4.	N/A
TPL-001-0	R1.	N/A
TPL-001-0	R2.	N/A
TPL-001-0	R3.	N/A
TPL-002-0	R1.	N/A
TPL-002-0	R2.	N/A
TPL-002-0	R3.	N/A
TPL-003-0	R1.	N/A
TPL-003-0	R2.	N/A
TPL-003-0	R3.	N/A
TPL-004-0	R1.	N/A
TPL-004-0	R2.	N/A
VAR-001-1	R1.	N/A
VAR-001-1	R2.	N/A
VAR-001-1	R3.	N/A
VAR-001-1	R4.	N/A
VAR-001-1	R5.	N/A
VAR-001-1	R6.	N/A
VAR-001-1	R7.	N/A
VAR-001-1	R8.	N/A
VAR-001-1	R9.	N/A
VAR-001-1	R10.	N/A
VAR-001-1	R11.	N/A
VAR-001-1	R12.	N/A
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

Compliance Culture

Information regarding the compliance culture of OCC was obtained from the Pre-Audit Compliance Survey, Compliance Program Survey, and Pre-Audit Questionnaires that were completed by OCC prior to the audit.