



Compliance Audit Report Public Version

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Occidental Power Services, Inc.
(OPSI)
NCR 10100 - MRO, NPCC, RFC, SERC, SPP, WECC
September 1-4, 2009

September 11, 2009

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Occidental Power Services, Inc. (OPSI) as a part of its normal six year cycle. Review of documentation submitted by OPSI took place at the MRO offices on September 1-4, 2009. The team conducted audit conference call on September 3, 2009 at the MRO office. The audit team consisted of three MRO staff members.

The North American Electric Reliability Corporation (NERC) has designated a subset of Reliability Standards for active compliance monitoring and reporting by the Regional Entities in their 2009 implementation plan. NERC has identified 49 standards as “actively monitored” which contain 418 requirements.

OPSI is registered with six Regional Entities (MRO, NPCC, RFC, SERC, SPP, WECC) as a Purchase and Selling Entity (PSE). The MRO is performing OPSI’s audit on behalf of the six reliability regions. As a result of this registration and for this audit, OPSI is responsible for meeting compliance with three Reliability Standards which contain three PSE requirements. OPSI is found to be in full compliance with all three requirements.

As a part of the audit process, OPSI completed Compliance Questionnaires and provided the MRO with supporting documentation for their audit. Upon completion of the initial review of evidence, the audit team requested additional documentation and identified the subject matter experts to be interviewed.

During the conference call, the OPSI staff was found to be cordial, willing to clarify any questions and, when needed, directed the audit team to the correct supporting documentation. The subject matter experts were open with their responses and were cooperative throughout the process.

Audit Process

The OPSI Compliance Audit was conducted as a part of its normal six year cycle. The 2009 Compliance Program consists of 49 actively monitored Standards. Forty-six of these Standards were deemed not applicable, which are related to functions other than PSE. This 2009 compliance audit reviewed 3 Reliability Standards which contains 3 PSE requirements. Documentation was viewed from June 18, 2007 to the date of the audit.

The compliance audit process steps are detailed in the NERC Compliance Monitoring and Enforcement Plan (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 OPSI's compliance with the requirements of the reliability standards that are applicable to OPSI based on OPSI's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 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 standards, and review the status of associated mitigation plans.

Scope

The OPSI Compliance Audit was conducted as a part of its normal six year cycle. The audit was conducted under the guidelines of the 2009 CMEP. All applicable NERC and MRO standards were reviewed during this audit.

Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the NERC representative and regional entity staff were available to the audited entity in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were available to the audited entity if requested. The audited entity 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. The audited entity accepted the audit team member participants with no objections.

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

Audit Proceedings

The MRO presented a high level overview of the compliance audit process.

The auditor code of conduct was reviewed. MRO staff must adhere to confidentiality as required through the NERC Delegation Agreement.

Methodology

Audit criteria included standards, measures, and expectations based on best practices. The criteria were objective, measurable, complete, and relevant to the objectives. The audit team accepted and was not limited to policies, procedures, screen-prints of EMS, copies of operator logs, audio clips, and correspondence. If needed, additional supporting documentation or clarification was requested.

The Audit team used the Compliance Questionnaire and Reliability Standards Auditor Worksheets (QRSAW) to review each reliability standard during the compliance audit. This is done to ensure consistency and fairness during each compliance audit.

Audit Overview

In 2008, the MRO scheduled OPSI to receive a compliance audit the week of August 31, 2009 as a part of their normal six-year cycle. On June 29, 2009, the MRO sent OPSI the audit package including *the Audit Notification, Audit Certification Letter, Internal Compliance Survey, Pre-Audit Survey, Procedures for Conducting an Audit, Subject Matter Experts Spreadsheet, Preparing for Compliance and Compliance Audit, MRO Biographies, and the 2009 QRSAWs.*

Audit

Two weeks prior to the audit, OPSI supplied MRO with approximately 90% of supporting documentation needed to demonstrate compliance. MRO staff reviewed this documentation. The compliance staff utilized the NERC Standards and the QRSAW while reviewing the supporting documents and responses to the Compliance Questionnaires provided by OPSI.

After evaluation of the supporting documentation, a set of questions was developed to be posed to subject matter experts for OPSI and missing supporting evidence was identified. During the conference call, the team of auditors was able to review the necessary documents and conduct interviews of the subject matter experts. These interviews, in conjunction with supporting evidence, provided the audit team with a basis for professional judgment when determining compliance with the audited reliability standards.

Exit Briefing

Upon completion of the subject matter expert interviews, the MRO audit team was satisfied with the results of the interviews and documentation provided to find OPSI in full compliance of the 3 NERC requirements being audited. The MRO conducted the exit briefing on September 4, 2009.

Company Profile

Occidental Power Services, Inc. (OPSI) is a 100% indirectly owned subsidiary of Occidental Petroleum Corporation, which is OPSI's ultimate parent organization. OPSI is the power trading and operations subsidiary of Occidental Energy Marketing, Inc. (OEMI). OPSI is a wholesale power marketer and OPSI does not own physical electricity/power assets including, without limitation, any electricity generation, transmission, or distribution assets.

Audit Specifics

The document review was conducted at the MRO offices September 1-4, 2009. Two conference calls were conducted on September 3 and 4, 2009.

Audit Team

Audit Team Role	Title	Company
Lead	Compliance Audit Manager	MRO
Member	Engineer	MRO
Member	Compliance Principal	MRO

OPSI Audit Participants

Title	OPSI Organization
Vice President	Power Trading & Operations
Director	Power Operations
Regulatory Counsel	
Regulatory Counsel	
Regulatory Consultant	
Regulatory Analyst	

Audit Results

- OPSI provided the audit team with supporting documentation for review prior to the conference call. The team received approximately 90% of the supporting documentation needed for evidence. The audit team spent two days prior to the conference call reviewing the supplied documentation. As a result of reviewing this evidence, the audit team developed questions for the subject matter experts and a list of additional required documentation.
- OPSI provided the requested additional documents in a timely fashion.
- OPSI personnel were allowed to speak freely without interruption from management during the subject matter expert interviews.
- The audit team utilized the Compliance Questionnaire and Reliability Standard Auditor Worksheets (QRSAW) in order to assess compliance of the reliability standards. The primary questions of the subject matters were documented in addition to the requests for additional evidence.

Findings

Compliance Audit

Conducted On: **Sep 01, 2009**

Entity: **Occidental Power Services, Inc. (OPSI)**

Address: **5 Greenway Plaza, Suite 110, Houston, Texas 77046-0521, United States**

NERC Compliance Registry: **NCR10100**

Standard Requirement	Compliant
IRO-001-1 R8	Yes
IRO-005-2 R13	Yes
VAR-001-1 R5	Yes

Compliance Culture

The Occidental Power Services, Inc. completed the Internal Compliance Program Survey prior to the compliance audit.