



Compliance Audit Report Public Version

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**Cargill Power Markets, LLC
NCR01066 – FRCC, MRO, NPCC, SERC, SPP, TRE
NCR05486 - WECC
NCR08003 - RFC**

Audit Date: March 5, 2009

March 6, 2009

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Executive Summary

The Midwest Reliability Organization (MRO) conducted a compliance audit of Cargill Power Markets, LLC (CRGL) as a part of its normal six year cycle. Review of documentation submitted by CRGL took place at the MRO offices on March 2, 2009. The team conducted an audit conference call on March 5, 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.

CRGL is registered with all eight Regional Entities as responsible for one function. The MRO is performing CRGL’s audit on behalf of all eight reliability regions. As a result of this registration and for this audit, CRGL is responsible for meeting compliance with three Reliability Standards which contain three requirements. CRGL is found to be in full compliance with all three requirements.

As a part of the audit process, CRGL completed an Audit Questionnaire 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 CRGL 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 CRGL 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. 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 CRGL's compliance with the requirements of the reliability standards that are applicable to CRGL based on CRGL's registered function.
- 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 CRGL 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 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 Reliability Standards Auditor Worksheets (RSAW) to review each reliability standard during the compliance audit. This is done to ensure consistency and fairness during each compliance audit.

Audit Overview

In December 2008 the MRO scheduled CRGL to receive a compliance audit March 4-5, 2009 as a part of their normal six year cycle. On January 2, 2009 the MRO sent CRGL the audit package which included *the On-Site Notification, Pre-Audit Survey, Procedures for Conducting an Audit, Subject Matter Experts Spreadsheet, Preparing for Compliance and Compliance Audit* and the *2009 MRO Audit Questionnaire*.

Audit

Two weeks prior to the audit, CRGL supplied MRO with 100% of supporting documentation needed to demonstrate compliance. MRO staff reviewed this documentation. The compliance staff utilized the NERC Standards and the RSAW while reviewing the supporting documents and the Audit Questionnaire response provided by CRGL.

After evaluation of the supporting documentation, a set of questions was developed to be posed to subject matter experts for CRGL 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 validating compliance with reliability standards. Subject matter experts for the following standard were requested to be available: IRO-005.

All documentation is stored at the MRO office in a fire proof locked cabinet.

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 CRGL in full compliance of the 3 NERC requirements being audited. The MRO then commenced with the exit briefing with CRGL's approval.

Company Profile

Cargill Power Markets, LLC (CRGL) is a PSE active across all NERC regions. CRGL is a wholly owned subsidiary of Cargill, Incorporated (Parent) and operates out of an office located at: 9350 Excelsior Blvd, Hopkins, MN 55343. CRGL is a wholesale marketer of physical and financial power in markets in the US and, through an affiliated entity, Canada. In relation to its physical power activity, CRGL purchases transmission, capacity, and ancillary services.

Audit Specifics

The compliance audit conference call was conducted on March 5, 2009.

Audit Team

Audit Team Role	Title	Company
Lead	Compliance Audit Manager	MRO
Member	Compliance Principle	MRO
Member	Observer	MRO

CRGL Audit Participants

Title	CRGL Organization
Manager	Accounting
Market Development	Marketing
Manager	Accounting
VP and Controller	Accounting
Sr. Attorney	Corporate

Audit Results

- CRGL provided the audit team with supporting documentation for review prior to the conference call. The team received approximately 100% of the supporting documentation needed for evidence. The audit team spent the 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.
- CRGL personnel were allowed to speak freely without interruption from management during the subject matter expert interviews.
- The audit team utilized the Reliability Standard Auditor Worksheets (RSAW) 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: **Mar 05, 2009**

Entity: **Cargill Power Markets, LLC (CRGL)**

Address: **9350 Excelsior Blvd., MS# 150, Hopkins, Minnesota 55343, United States**

NERC Compliance Registry ID: **NCR01066, NCR05486, NCR08003**

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

Compliance Culture

Cargill Power Markets, LLC completed the Internal Compliance Program Survey prior to the compliance audit.