



NORTHEAST POWER COORDINATING COUNCIL, INC.
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Compliance Audit Report

Public Version

Clearview Electric, Inc
NCR10128

March 20 to May 14, 2009

**Confidential Information (including Privileged
And Critical Energy Infrastructure Information)
Has Been Removed**

5/14/2009

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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.

An off-site compliance audit of Clearview Electric, Inc (Clearview), NERC ID #NCR10128 was conducted from March 20 to May 14, 2009. At the time of the audit, Clearview Electric, Inc was registered for the Purchasing Selling Entity (PSE) function.

The audit team evaluated Clearview Electric, Inc for compliance with seven requirements in six Reliability Standards in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan for the audit period of the current year and previous from June 18, 2007 unless a different retention period is specified in an individual reliability standard. Clearview submitted information and documentation to aid the audit team's evaluation of compliance with requirements and provided subject matter experts for the standards resulting in a more clear understanding of the Clearview Electric, Inc business model, which helped to accelerate the audit process. When the evidence provided to demonstrate compliance or non-applicability required additional requests for information and evidence, the Clearview Electric, Inc team responded to these requests in an expeditious manner. The audit was conducted using the data submitted by Clearview as well as telephone and email data exchanges. The audit team reviewed and evaluated all information provided by Clearview Electric, Inc to assess compliance with the standards applicable to the Purchasing Selling Entity (PSE) function.

The Audit Team evaluated Clearview Electric, Inc on seven requirements in six Reliability Standards. Based on the information and documentation provided by Clearview, the audit team found Clearview to be compliant with two of seven applicable requirements and two of six applicable NERC Reliability Standards. The audit team determined that the remaining five requirements in the remaining four NERC Reliability Standards were not applicable to Clearview Electric, Inc.

It needs to be noted here that TOP-005 Requirement R4 was found compliant. However, based on the audit evidence provided for TOP-005 Requirement R4, which included the submitted and NYISO confirmed load bids and billing, the deliverables provided by the Customized Energy Solutions contract agreement with Clearview Electric, Inc and vendor input, and the corroborating evidence provided by the NYISO, it appears that

Clearview Electric, Inc may be incorrectly registered as a Purchasing Selling Entity (PSE). Clearview's functions appear to be more aligned with a registry of Load Serving Entity (LSE), such as a retail marketer. Clearview's registry issue has been referred to NPCC and NERC, and it is currently under review.

Additional time was required for the overall audit due to an initial mid-audit NPCC and NERC review of the registry issue. It was decided that the audit should be completed as a PSE, and the audit documentation then be utilized as an aid in the final registry determination.

All additional information requested was provided promptly. The audit team would like to thank the Clearview Electric, Inc team for the support offered throughout the audit.

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 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 to:

- Independently review Clearview's compliance with the requirements of the reliability standards that are applicable to Clearview based on Clearview's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards and additional NERC reliability standards selected by NERC.

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

- Validate compliance with applicable Regional Standards from the NPCC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications and confirm compliance with other requirements of the reliability standard.
- Review the status of associated mitigation plans.
- Observe and document Clearview's compliance program and culture.

Scope

The audit included all standards identified in the January 22, 2009 audit letter for the previous year. The audit was a regularly scheduled audit and no self-reported violations, made pre or post June 18, 2007, no mitigation plans, or compliance investigations were involved. There were no separate requests made by Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

At the time of the audit, Clearview was registered for the PSE function. The audit team evaluated Clearview for compliance during the period of June 18, 2007 to May 14, 2009.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staff were provided to the audited entity in advance of the audit. 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.

Off-site Audit

Clearview Electric, Inc was provided with a pre-audit request letter identifying the standards and requirements subject to audit, which included INT-001-3 R1, INT-004-1 R1, R2; IRO-001-1 R8; IRO-005-1 R13; TOP-005-1 R4; and VAR-001-1 R5. The audit letter was sent to Clearview 58 days in advance of the scheduled audit.

This is an off-site audit conducted every six years or as determined to be necessary by the region. Clearview had not self reported any violations, made pre or post June 18, 2007, and no mitigation plans or compliance investigations were involved.

The audit team leader requested that Clearview Electric, Inc employees representing subject matter expertise regarding the registered function of Clearview be made available for interviews should the need arise. These interviews, in conjunction with evidence submitted, would then provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Generally accepted government auditing standard 3.39 places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement; it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit but rather identifying, considering, minimizing, mitigating, and explaining them.

Methodology

The audit team prepared reliability standard audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they a form portion of the audit trail are included in the RSAWs.

Audit Overview

The audit overview was conducted at 12:45 PM EDST on March 20, 2009 via telephone call. The call was between the NPCC auditor and the President of Clearview Electric, Inc and a Contractor. The auditor reviewed his career and noted that he had signed a confidentiality agreement. A brief explanation of the audit process was given and the audit timelines were discussed. The auditor stated that the auditor has the ability and authority to expand the audit beyond the initial set of the standards and requirements

identified in the audit notification letter should the need arise. The auditor also stated that corroborating evidence from other entities might be required to substantiate Clearview's compliance.

Clearview Electric, Inc was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest, if they had any concerns regarding the auditor's background or if they thought that the auditor would not be impartial. Clearview Electric, Inc accepted the auditor. The Clearview President asked for what area Clearview Electric, Inc is being audited. Per the auditor's discussion with NPCC on 3/19/09, he was informed that the audit was being conducted for the New York Market under the NYISO.

Audit

The NPCC auditor performed the audit off site. The auditor reviewed the information submitted by Clearview Electric, Inc and then developed a list of questions and requests for further information and corroborating evidence from the NYISO; the list was sent to Clearview for their review and clarification. Clearview Electric, Inc staff then took the time necessary to gather the additional information and submitted their response to the auditor via email.

Additional time was required for the overall audit due to an initial mid-audit NPCC and NERC review of the registry issue. It was decided that the audit should be completed as a PSE, and the audit documentation then be utilized as an aid in the final registry determination.

Exit Briefing

The exit briefing was conducted via conference call at 4:00 PM on Thursday, May 14, 2009. The teleconference was between the NPCC auditor and the President of Clearview Electric, Inc and a Contractor. The NPCC staff reviewed the audit process and summarized the findings of the audit for each standard and requirement. After reviewing all the data, Clearview was found to be compliant with two of the six standards for the PSE function. The remaining four standards were deemed as not applicable to Clearview Electric, Inc.

It was noted during the call that TOP-005 Requirement R4 was found compliant. However, based on the audit evidence provided for TOP-005 Requirement R4, which included the submitted and NYISO confirmed load bids and billing, the deliverables provided by the Customized Energy Solutions contract agreement with Clearview Electric, Inc. and vendor input, and the corroborating evidence provided by the NYISO, it appeared that Clearview Electric, Inc may be incorrectly registered as a Purchasing Selling Entity (PSE). Clearview's functions appear to be more aligned with a registry of Load Serving Entity (LSE), such as a retail marketer. It was noted that Clearview's registry issue has been referred to NPCC and NERC, and it is currently under review. Clearview Electric, Inc was informed that they should be contacted by NPCC in the very near future regarding this issue.

Clearview Electric, Inc was presented an opportunity to question the audit findings and provide comment on the audit. Clearview Electric, Inc had no questions or comments on the audit.

Company Profile

Clearview Electric, Inc Company Profile

We are located in Dallas, Texas.

Clearview Electric, Inc
600 N. Pearl St., Suite S104
Dallas, Texas 75201

President is Frank McGovern.

Complaints Manager is Joan Parker.
1-800-527-3233

Our phone number is 1-800-527-3233.

Clearview Electric, Inc was started in 2005.

The function of the company is to provide electric and gas to residential and small business in some deregulated states in the Northeast and Texas.

We have applied to and will do business with the NY-ISO, NE-ISO and ERCOT.

Audit Specifics

The compliance audit was conducted from March 20 to May 14, 2009 at the offices of the NPCC Audit Staff.

Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

Clearview Electric, Inc

Title	Organization
President	Clearview Electric, Inc
Contractor Employee	Contractor
Vice-President Retail Services	Customized Energy Solutions
Finance Manager	Clearview Electric, Inc

Audit Results

Clearview Electric, Inc provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation.

The Audit Team evaluated Clearview Electric, Inc on seven requirements in six Reliability Standards. Based on the information and documentation provided by Clearview, the audit team found Clearview to be compliant with two of seven applicable requirements and two of six applicable NERC Reliability Standards. The audit team determined that the remaining five requirements in the remaining four NERC Reliability Standards were not applicable to Clearview Electric, Inc.

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The evidence provided by Clearview Electric, Inc was reviewed and validated using the following:

- Corroborating evidence from the NYISO.
- Discussions with the Clearview Electric, Inc representatives and contractors.
- Reliability Standard Audit Worksheets (RSAW) summary, summary of auditor notes, or auditor worksheets used by the NPCC.

Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2009 Implementation Plan.

Reliability Standard	Requirement	Finding
INT-001-3	R1, R1.1	Not Applicable
INT-004-1	R1	Not Applicable
INT-004-1	R2, R2.1, R2.2, R2.3.	Not Applicable
IRO-001-1	R8	Not Applicable
IRO-005-1	R13	Not Applicable
TOP-005-1	R4	Compliant
VAR-001-1	R5	Compliant

Compliance Culture

The audit team reviewed the Clearview Electric, Inc compliance culture. Clearview does not have an internal compliance program. However, during all contacts, the Clearview Electric, Inc representatives were professional and positive in their approach to compliance and understood the importance of compliance. All additional information requested was provided promptly.