



# **Compliance Audit Report Public Version**

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

**Linde Energy Services, Inc.  
NCR00694**

**Date of Audit  
March 19-23, 2009**

**Date of Report  
May 7, 2009**

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## Executive Summary

This 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 Linde Energy Services, Inc. (LESI) was conducted from March 19-23, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, LESI, NERC ID# - NCR00694 was registered for the Purchasing Selling Entity (PSE) function that it performs in the ReliabilityFirst region.

ReliabilityFirst provided a 60 day notification to LESI which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. LESI submitted material that the audit team reviewed and used to assess LESI's compliance with the NERC Reliability Standards. The audit team developed findings based on this review and assessment.

The audit team assessed LESI's compliance with 3 NERC Reliability Standards, which are applicable to LESI for the function it is registered to perform in the ReliabilityFirst region. The 3 NERC Reliability Standards include 3 requirements that are applicable to the PSE function. No ReliabilityFirst regional standards were included in the scope of the audit.

LESI was prepared for the audit and provided documentation in a complete and concise manner. The audit team did not identify any violations as a result of this review. LESI was found to be fully compliant with the 3 NERC Reliability Standards and the 3 requirements.

There were no ongoing mitigation plans and therefore none were reviewed by the audit team.

## Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst 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.<sup>1</sup> The audit objectives are to:

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

- Review LESI's compliance with the requirements of the Reliability Standards that are applicable to LESI based on LESI's registered function(s)
- 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 Standard, and review the status of associated mitigation plans
- Document LESI's internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by ReliabilityFirst
- Validate compliance with applicable ReliabilityFirst reliability standards that are applicable to LESI

### **Scope**

The scope of the audit included Reliability Standards which were selected by NERC for monitoring via audit in the 2009 CMEP Implementation Plan. ReliabilityFirst also monitored all applicable ReliabilityFirst standards, self certifications, and mitigation plans as appropriate for the period of June 18, 2007 through the date of the audit.

### **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. The audited entity was informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history of each audit team member was provided to the audited entity. 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 did not submit any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

### **Off-site Audit**

LESI is subject to an audit once every six years as provided by the NERC Rules of Procedure. LESI was provided a 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained a request for evidence, information, and data submittals
- Compliance Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey

- Audit Team Work History with discussion of the objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to LESI in both electronic and hardcopy format.

Reliability*First* discussed the use of technical experts with the LESI primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by LESI as it deemed necessary to explain their compliance to the Reliability Standards. As such, LESI had been notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to demonstrate compliance with Reliability Standards.

An audit agenda and/or schedule were provided to LESI in advance to allow the necessary time to prepare for the audit. LESI's cooperation and flexibility with the agenda was appreciated by the audit team.

The audit team reviewed LESI's compliance processes for all applicable standards with LESI technical experts and requested additional information to clarify information previously supplied to the team. These interviews in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the Reliability Standards.

### ***Methodology***

The audit team reviewed the evidence provided by LESI for each of the requirements that are applicable to the function performed by the company to determine if the company complied with those Reliability Standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

### ***Opening Briefing***

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Audit Team Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

## **Audit**

The audit team reviewed each requirement and the evidence provided to determine if LESI was compliant with the requirement. The team discussed its findings to determine LESI's compliance to each of the standards. Upon request, LESI provided additional information or clarified existing information during the review of its material with their subject matter experts.

## **Exit Briefing**

The audit team presented its preliminary findings to the LESI staff. The team lead explained the findings from the audit. The exit presentation also covered the reporting process going forward, and audit feedback forms that the region is using to improve the audit process. In addition, the audit team presented recommendations on quality of evidence that the team identified during the audit. LESI was provided an opportunity to ask questions which the audit team addressed.

## **Company Profile**

LESI performs the following NERC function in the ReliabilityFirst region and is registered with NERC/ReliabilityFirst for the following function:

- Purchasing Selling Entity (PSE)

Linde Energy Services, Inc. (LESI) is a registered retail electric supplier and currently operates in the PJM Interconnection, ISO New England (ISO NE) and Midwest Independent System Operator (MISO) markets. LESI supplies power to its parent organization's manufacturing sites within these markets.

## **Audit Specifics**

The compliance audit was conducted from March 19 - 23, 2009 at the ReliabilityFirst office in Akron, OH.

## **Audit Team**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Consultant, Compliance	ReliabilityFirst Corporation
Member	Consultant	Scott Porteous & Associates

## **LESI Audit Participants**

<b>Title</b>	<b>Organization</b>
Manager - Energy & Regulatory Affairs	LESI

## Audit Results

The audit team assessed LESI's compliance with 3 NERC Reliability Standards, including 3 requirements that are applicable to the PSE function.

After reviewing all of the evidence presented, LESI was found to be compliant with 3 NERC Reliability Standards and 3 requirements that apply to LESI for the function that it is registered to perform in the Reliability*First* Region.

### **Findings**

The following table details the auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

#### **LESI Off-site Audit Findings Table**

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-001-1	R8	Compliant
IRO-005-2	R13	Compliant
VAR-001-1	R5	Compliant

### **Compliance Culture**

Linde Energy Services, Inc. (LESI) reviews the Reliability*First* Corporation (RFC) reporting requirements of a purchasing-selling entity (PSE) on a weekly basis. All such requirements are completed as required on the RFC portal. All PSE submittals are reviewed with the group on a monthly basis as they occur. LESI regularly attends non-reliability coordinator functions at the respective ISOs. Information for ISO meetings and changes to ISO programs are reviewed with the appropriate staff.

LESI routinely reviews operational compliance requirements with the President of the organization. It reviews all operational activities ranging from day-top-day activities to the regulatory reporting requirements of Reliability*First* Corporation, Federal Energy Regulatory Commission, Energy Information Administration and the respective state Public Utility Commissions where LESI is a registered retail electric supplier.

LESI has operated under the operating tariffs of three Independent System Operators (ISOs) without the occurrence of any violations to date. The LESI staff maintains detailed task lists for each Independent System Operator (ISO) market where LESI serves as a retail electric supplier. These task lists insure that all operating requirements of the respective ISO are met.