

Compliance Audit Report Public Version

BASF Corporation

NERC ID # NCR04011

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Critical Energy Infrastructure Information)
Has Been Removed**

Audit Date: February 16-18, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: April 5, 2011
Prepared By: Bill Lewis, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of BASF Corporation (BASF) was conducted on February 16-18, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on BASF's registration as a Generator Owner and Generator Operator.

The audit team reviewed the NERC Reliability Standards for the period of time identified in the scope of the audit. The audit team consisted of two representatives from Texas Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by BASF and conducted interviews with BASF's personnel to assess compliance with standards applicable to BASF at this time.

There were a total of sixteen (16) reliability standards included in the scope of this audit consisting of ninety-five (95) requirements. Based on the information and documentation provided by BASF, the audit team found BASF to be compliant with thirty-eight (38) applicable requirements. The audit team determined that fifty-six (56) requirements were not applicable to BASF.

The audit team identified one (1) possible alleged violation during the audit. These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit. This audit report includes information regarding the possible alleged violation. This information will be used to help determine the severity level of sanctions and penalties. The possible alleged violations will be processed through the Texas RE's NERC Compliance Monitoring and Enforcement Program. Any further actions related to possible alleged violations will follow the same process. Any Possible Alleged Violations will be processed through the NERC and Texas RE CMEP.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit and therefore none were reviewed by the audit team.

The NERC Notice of Penalty (NOP) is posted on the NERC website at the following URL:
http://www.nerc.com/filez/enforcement/FinalFiled_ANOP_NOC-746.pdf

2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at www.nerc.com. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

2.1 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:

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

- Independently review BASF's compliance with the requirements of the reliability standards that are applicable to BASF based on the BASF registered functions included in the scope of this audit.
- Validate compliance with applicable reliability standards from the NERC 2010 CMEP 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.
- Document BASF's compliance culture.

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2010 and any others that may be identified by the audit team at the time of the audit applicable to a Generator Owner and Generator Operator. The audit was performed by two members of Texas RE.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit for BASF and therefore none were reviewed by the audit team.

Note: For the 2010 compliance program, the monitoring period for the compliance audit will generally be the last six years based the BASF's registration as a Generator Owner and Generator Operator, or periods specified in individual reliability standards.

At the time of the audit, BASF was registered as a Generator Owner and Generator Operator. The audit team evaluated BASF for compliance during the specific period of June 28, 2007 to February 16, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to BASF prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to BASF. BASF 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. BASF had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants with no objections. There have been no denials of or access limitations placed upon this audit team by BASF.

2.3 Methodology

Once an audit date was set by Texas RE, BASF was sent a Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards.

The audit team reviewed the completed RSAWs, information, data, and evidence submitted by BASF and assessed compliance with requirements of the applicable reliability standards. Initial submittal of information and data were sent to Texas RE on or before the scheduled due date for the submittal. Additional information relevant to the audit could be requested by Texas RE and submitted by BASF until the last day of the review at the audit site.

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with BASF's management and supervisors. The audit team reviewed documentation provided by BASF that included data, information and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. which were validated, substantiated and cross checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electrical System (BES).

The Texas RE audit team interviewed operations, IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by BASF and verify documentation.

Findings were based on the audit team's knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the audit team.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit for BASF and therefore none were reviewed by the audit team.

The audit team conducted an exit briefing immediately following the audit with BASF. The audit team verbally shared its preliminary results with BASF's management.

2.4 Company Profile

BASF is registered with NERC and performs the function as a Generator Owner (GO) and Generator Operator (GOP).

BASF is a registered Generator Owner, and Generator Operator in the ERCOT Interconnect. ERCOT performs the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator for BASF.

Organizationally, BASF owns and operates a large industrial chemical facility located in Freeport, TX. This site consumes approximately 100 MW annually. Additionally BASF operates a combined cycle turbine to supply process steam to operating units within the plant boundaries. The turbine also generates approximately 81 MW which is supplied to the Bulk Electric System.

2.5 Audit Specifics

Audit Date: February 16-18, 2010
Audit Location: Texas RE Office, Austin, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Engineer III	Audit Team Leader
Texas RE/Compliance Engineer III	Auditor

BASF's Audit Participants:

Company	Title
BASF	BASF / Electrical Engineering
BASF	Operations Manager
BASF	Electrical Engineer
BASF	Power Distribution Technician
BASF	Energy Systems Manager
BASF	Power Distribution Technician
BASF	Utilities Operator
BASF	Maintenance / Operations Coordinator

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that BASF was non-compliant with the following standard and requirement:

Reliability Standard & Requirement
CIP-001-1, R2

BASF was found compliant with all other requirements and standards that were included in the scope of this audit.

The following table is a summary of the auditor's findings for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Possible Violation
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
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

Reliability Standard	Requirement	Finding
IRO-001-1.1	R1.	N/A
IRO-001-1.1	R2.	N/A
IRO-001-1.1	R3.	N/A
IRO-001-1.1	R4.	N/A
IRO-001-1.1	R5.	N/A
IRO-001-1.1	R6.	N/A
IRO-001-1.1	R7.	N/A
IRO-001-1.1	R8.	Compliant
IRO-001-1.1	R9.	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-005-2	R1.	N/A
IRO-005-2	R2.	N/A
IRO-005-2	R3.	N/A
IRO-005-2	R4.	N/A
IRO-005-2	R5.	N/A
IRO-005-2	R6.	N/A
IRO-005-2	R7.	N/A
IRO-005-2	R8.	N/A
IRO-005-2	R9.	N/A
IRO-005-2	R10.	N/A
IRO-005-2	R11.	N/A
IRO-005-2	R12.	N/A
IRO-005-2	R13.	Compliant
IRO-005-2	R14.	N/A
IRO-005-2	R15.	N/A
IRO-005-2	R16.	N/A
IRO-005-2	R17.	N/A
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R4.	N/A
PRC-001-1	R5.	Compliant
PRC-001-1	R6.	N/A
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant

Reliability Standard	Requirement	Finding
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
TOP-001-1	R1.	N/A
TOP-001-1	R2.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R4.	N/A
TOP-001-1	R5.	N/A
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	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
VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R3.	Compliant
VAR-002-1.1a	R4.	Compliant
VAR-002-1.1a	R5.	Compliant

3.2 Mitigation Plan Findings

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit and therefore none were reviewed by the audit team.

3.3 Conclusion

The compliance audit team found that BASF was non-compliant with the following standard and requirement:

Reliability Standard & Requirement
CIP-001-1, R2

The possible alleged violation along with this compliance report will be provided to Texas RE's compliance staff for processing through the NERC CMEP. Any further actions related to possible alleged violations will be through that process.

BASF was found compliant with all other requirements and standards that were included in the scope of this audit.

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

3.4. Compliance Culture

BASF's compliance culture survey was reviewed by the audit team.

BASF was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of BASF, the participation during the audit by BASF's personnel, the responses provided to the compliance culture survey, the detailed documentation of procedures and records and the direct observations made by the audit team confirmed a commitment by BASF to promote a healthy compliance culture within organization. The Compliance Contact's efforts for this audit were extremely helpful and were well supported by the other BASF managers and SMEs who prepared and participated during the audit process.

Additional detailed information pertaining to the compliance culture of BASF can found in the Internal Compliance Survey.