

Compliance Audit Report Public Version

Oxy Vinyls LP NERC ID # NCR04110

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

Audit Date: April 20-22, 2010
Audit Location: Texas Regional Entity Office, Austin, TX
Report Date: May 21, 2010
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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Oxy Vinyls LP (OVLP) was conducted on April 20-22, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on OVLP'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 Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by OVLP and conducted interviews with OVLP's personnel to assess compliance with standards applicable to OVLP 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 OVLP, the audit team found OVLP to be compliant with thirty-nine (39) applicable requirements. The audit team determined that fifty-six (56) requirements were not applicable to OVLP.

OVLP met all of the NERC Standard requirements that were within the scope of this 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.

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.

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:

- Independently review OVLP's compliance with the requirements of the reliability standards that are applicable to OVLP based on the OVLP 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 OVLP's compliance culture.

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

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 that had not been previously validated by Texas RE's compliance staff for OVLP 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 OVLP's registration as a Generator Owner and Generator Operator, or periods specified in individual reliability standards.

At the time of the audit, OVLP was registered as a Generator Owner and Generator Operator. The audit team evaluated OVLP for compliance during the specific period of June 28, 2007, OVLP's registration date to April 20, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to OVLP prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to OVLP. OVLP 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. OVLP 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 OVLP.

2.3 Methodology

Once an audit date was set by Texas RE, OVLP 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 OVLP 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 OVLP 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 OVLP's management and supervisors. The audit team reviewed documentation provided by OVLP 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 OVLP 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 that had not been previously validated by Texas RE’s compliance staff for OVLP and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Oxy Vinyls LP is a wholly owned subsidiary of Occidental Chemical Corporation (OCC). Occidental Energy Ventures Corporation (OEVC) is the Occidental entity responsible for Occidental’s Energy Generation/cogeneration facilities complying with the NERC reliability standards. OCC and OEVC are 100% indirectly owned subsidiaries of Occidental Petroleum Corporation.

Oxy Vinyls’ electric generation footprint in the ERCOT Region is 270MW from Battleground Cogen.

2.5 Audit Specifics

Audit Date: April 20-22, 2010
Audit Location: Texas Regional Entity 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

OVLP’s Audit Participants:

Company	Title
OEVC	Sr. Energy Analyst
Oxy Vinyls	Staff Process Engineer
OEVC	Contracts Administrator
OEVC	Manager Power Marketing
The Energy Group	Consultant/Analyst
OEVC	Sr. Vice President Power
OEVC	President
OPSI	Director Power Operations
Oxy Vinyls	Senior Electrical Engineer

Company	Title
Oxy Vinyls	Safety/Security Manager
Oxy Vinyls	Electrical Specialist
Oxy Vinyls	Process Supervisor
Oxy Vinyls	Assistant Plant Manager
Oxy Vinyls	Plant Manager, Houston Chemical Complex
OPSI	Real Time Operator/Trader
Oxy Vinyls	Operator
Oxy Vinyls	Operator

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that OVLP was compliant with all 2010 actively monitored NERC Standards reviewed at the time of the 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.	Compliant
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
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

Reliability Standard	Requirement	Finding
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
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

Reliability Standard	Requirement	Finding
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 that had not been previously validated by Texas RE's compliance staff and therefore none were reviewed by the audit team.

3.3 Conclusion

OVLP was found compliant with the all the 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

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

OVLP was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of OVLP, the extensive participation during the audit by OVLP's personnel, the responses provided to the compliance culture survey, the detailed documentation of procedures and records, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by OVLP 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 OVLP managers and SME's who prepared and participated during the audit process.

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