

October 31, 2016

**VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

**Re: NERC Full Notice of Penalty regarding Unidentified Registered Entity  
FERC Docket No. NP17-\_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty<sup>1</sup> regarding noncompliance by an Unidentified Registered Entity (URE) in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations, and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).<sup>2</sup>

NERC is filing this Notice of Penalty, with information and details regarding the nature and resolution of the violations,<sup>3</sup> with the Commission because Western Electricity Coordinating Council (WECC) and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from WECC's determination and findings of 19 violations of Critical Infrastructure Protection (CIP) Reliability Standards.

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<sup>1</sup> *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (2016). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R. § 39.7(c)(2).

<sup>2</sup> See 18 C.F.R. § 39.7(c)(2) and 18 C.F.R. § 39.7(d).

<sup>3</sup> For purposes of this document, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged, or confirmed violation.

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According to the Settlement Agreement, URE agrees and stipulates to the violations, and has agreed to the assessed penalty of one million one hundred twenty-five thousand dollars (\$1,125,000), in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreement.

### Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement, by and between WECC and URE. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC).

In accordance with Section 39.7 of the Commission's regulations, 18 C.F.R. § 39.7 (2016), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement. Further information on the subject violations is set forth in the Settlement Agreement.

\*SR = Self-Report / SC = Self-Certification / CA = Compliance Audit / SPC = Spot Check / CI = Compliance Investigation

NERC Violation ID	Standard	Req	VRF/ VSL	Discovery Method*	Risk	Penalty Amount
WECC2014014352	CIP-002-3	R3	High/Severe	SR	Serious	\$1.125M
WECC2014013782	CIP-003-3	R6	Lower/ Severe	SR		
WECC2014014353	CIP-005-3a	R1	Medium/ Severe	SR		
WECC2014013507	CIP-005-3a	R2	Medium/ Severe	SC		
WECC2014013783	CIP-005-3a	R3	Medium/ Severe	SR		
WECC2014014354	CIP-005-3a	R4	Medium/ Severe	SR		
WECC2014014355	CIP-005-3a	R5	Lower/ Severe	SR		

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NERC Violation ID	Standard	Req	VRF/ VSL	Discovery Method*	Risk	Penalty Amount
WECC2014014356	CIP-006-3c	R1	Medium/ Severe	SR		
WECC2014014357	CIP-006-3c	R2	Medium/ Severe	SR		
WECC2014014358	CIP-006-3c	R3	Medium/ Severe	SR		
WECC2014013785	CIP-006-3c	R4	Medium/ Severe	SR		
WECC2014013784	CIP-006-3c	R5	Medium/ Severe	SR		
WECC2014014359	CIP-006-3c	R6	Lower/ Severe	SR		
WECC2014014360	CIP-007-3a	R1	Medium/ Severe	SR		
WECC2014014361	CIP-007-3a	R2	Medium/ Severe	SR		
WECC2014014362	CIP-007-3a	R3	Lower/ Severe	SR		
WECC2014014363	CIP-007-3a	R5	Lower/ Severe	SR		
WECC2014014364	CIP-007-3a	R6	Lower/ Severe	SR		
WECC2014014365	CIP-007-3a	R8	Lower/ Severe	SR		

**ROOT CAUSES FOR VIOLATIONS**

The root cause of the violations was URE's failure to have a comprehensive change management, configuration, and communication process during the project, testing, and installation phases of new substations. Further, URE failed to have a change management process that included verification that

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NERC CIP Standards had been implemented. Specifically, URE's change management process for commissioning new Critical Asset substations did not specifically require the individual steps necessary to ensure that new Critical Assets be afforded all the electronic and physical controls necessitated by NERC CIP Standards. The change management process did not include requirements for testing and verification of CIP protections. URE's change management did not include an independent inspection of the installation of Critical Cyber Assets (CCAs), Electronic Access Control and Monitoring devices (EACMs), and Physical Access Control Systems (PACS).

Additional causes for the violations include the following failures or omissions:

1. Personnel responsible for constructing the new facilities were aware that the new facilities were required to have CIP protections, and those personnel were trained in the CIP Standards. Training related to the change control procedures and the URE internal compliance program (ICP) provided to those personnel was ineffective;
2. Construction personnel did not have well-defined responsibility and accountability for ensuring those facilities were compliant with NERC CIP Standards. Accountability placed with these individuals could have reduced the likelihood of the violations from occurring;
3. URE personnel failed to follow defined URE policies and procedures requiring that CCAs associated with Critical Assets are included in an inclusive inventory of CCAs. Such identification could have helped prevent the violations from occurring;
4. URE's processes required construction personnel to work with information technology personnel to ensure logical protections were in place. Nevertheless, communication between these groups failed, and the work required was not coordinated between the groups;
5. URE lacked adequate supervision over monitoring the status of the project progress in that NERC CIP compliance should have been included within the scope of the project, which could have prevented the violations from occurring; and
6. URE failed to consider industry observations from other entities' experience with building Critical Asset substations, which could have improved URE's change management process and potentially prevented the violations.

#### AGGREGATE RISK TO THE BULK POWER SYSTEM (BPS) FROM VIOLATIONS

URE connected substations to the Bulk Electric System (BES) without ensuring those substations were afforded adequate CIP protections to electronically and physically protect the CCAs contained therein, prior to being energized and activated. Specifically, URE failed to protect the substations with firewalls, as well as failed to complete its physical access control system configurations. Numerous consequences could follow the failure to ensure CIP protections to electronically and physically protect the aforementioned CCAs prior to energizing the substations. For example, there was an increased risk that a malicious individual would enter the substation without a key, badge, or authorization and take

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any number of negative actions. The malicious individual could have physically destroyed CCAs within the substations, or could have modified relay settings to prevent relays from opening upon a detected fault in the line, allowing the fault to continue and potentially damage neighboring substations.

URE did have controls in place to mitigate the risk of cyber and physical attacks on the substation. Specifically, URE implemented some electronic and physical controls as part of a defense-in-depth architecture, such as the substations' systems use of standardized hardened operating systems, anti-malware (where technically feasible), security event logging, and account management. Additionally, the substations' wide-area and local-area electric operations industrial control systems networks are private and segmented from URE corporate networks electric operations. The routers at the substations controlled local network access through policies on the routers. The substations' BES systems used active directory groups and terminal access controller access control systems to control and monitor users' interactive electronic access. As preventive controls, the substations also had fences, locks, access authorizations, a visitor control program, and physical security programs in place—despite not having an established and adequate Physical Security Perimeter (PSP). Notwithstanding URE's controls, it failed to provide the adequate CIP protections for these substations for a substantial period.

WECC considered the risk posed by these violations to the reliability of the BPS and determined that these violations collectively posed a serious and substantial risk to the reliability of the BPS.

#### WECC2014014352 CIP-002-3 R3 - OVERVIEW

WECC determined that URE failed to update its CCAs list during the calendar year.

WECC determined the duration of the violation to be from the date when URE energized the first substation without updating its list of CCAs, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Assess and identify all procedures associated with the Critical Asset identification process procedure;
2. Ensure that the Critical Asset identification procedure is properly integrated and referenced in significant phases (e.g., study construction planning, construction, release to operations, etc.); and
3. Integrate compliance verification procedures and require CIP senior manager sign-off prior to release to operations.

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URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014013782 CIP-003-3 R6 - OVERVIEW

WECC determined that URE failed to utilize its process of change control and configuration management for adding, modifying, replacing, or removing CCAs, as well as EACMs and PACS hardware or software. Additionally, URE failed to implement supporting configuration management activities to identify, control, and document all changes pursuant to the change control process.

WECC determined the duration of the violation to be from the date when URE energized the first substation without following change control and configuration management processes, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Modify URE's internal process walk-down checklist to include CIP assessment;
2. Implement tailboards and training within 30 days of the release of the modified URE's internal process walk-down checklist;
3. Review the electric system engineering manual process book to determine inclusion points for CIP assessment process;
4. Implement a new process that contains a release to operations checklist;
5. Implement an enterprise compliance tracking system compliance task for the CIP-002-3 standard lead to perform an annual review of the electric transmission project portfolio in order to identify potential incoming CIP applicable projects;
6. Modify URE's internal process to include comprehensive documentation which includes assessments and the CIP implementation requirements for all CIP standards in order to be given to the project engineer;
7. Implement tailboards and training within 30 days of the release of the modified URE internal process;
8. Update the electric system engineering manual process book with CIP assessment process and references to corporate CIP standards;
9. Review and perform a quality assurance table top test of the processes to ensure communication, implementation, and sign-off; and
10. Provide tailboard and training on the modified electric system engineering manual process book with new CIP assessment references and corporate CIP standards.

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URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014353 CIP-005-3a R1 - OVERVIEW

WECC determined that URE failed to ensure that CCAs resided within an Electronic Security Perimeter (ESP), as well as to identify and document the ESP and all access points to the perimeter.

WECC determined the duration of the violation to be from when URE energized the first substation without ensuring the ESP and all access points were appropriately protected, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESPs at its substations by installing and configuring the firewalls;
2. Apply protective measures including access control through monitoring electronic access into ESP; and
3. Update the CIP Cyber Asset inventory list.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014013507 CIP-005-3a R2 - OVERVIEW

WECC determined that URE failed to implement and document the organizational processes and technical and procedural mechanisms for control of electronic access at all Electronic Access Points to the ESP.

WECC determined the duration of the violation to be from when URE energized the first substation without implementing electronic access controls, through when URE activated its firewall and applied the appropriate ESP CIP protections to the CCAs at the substations.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Modify IT project management documents to ensure that all IT projects identify potential CIP requirements at project initiation and that all applicable CIP requirements are completed and validated prior to project completion;
2. Train infrastructure project managers on the modified processes and procedures;



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3. Finalize, approve, and publish all new and modified documentation associated with this Mitigation Plan; and
4. Review and approve certification of plan and evidence.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014013783 CIP-005-3a R3 - OVERVIEW

WECC determined that URE failed to implement and document electronic or manual processes for monitoring and logging access at ESP access points.

WECC determined the duration of the violation to be from when URE energized the first substation without monitoring or logging electronic access, through when URE activated its firewall and applied the appropriate ESP CIP protections to the CCAs at the substations.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Modify IT project management documents to ensure that all IT projects identify potential CIP requirements at project initiation and that all applicable CIP requirements are completed and validated prior to project completion;
2. Train infrastructure project managers on the modified processes and procedures;
3. Finalize, approve, and publish all new and modified documentation associated with this Mitigation Plan; and
4. Review and approve certification of plan and evidence.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014354 CIP-005-3a R4 - OVERVIEW

WECC determined that URE failed to perform a Cyber Vulnerability Assessment (CVA) of the Electronic Access Points to the ESPs at least annually.

WECC determined the duration of the violation to be from when URE energized the first substation without including the access points in its CVA, through when URE included all EACM devices for the established ESPs in its CVA.



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URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish ESPs at both substations by installing and configuring the firewalls;
2. Apply protective measures including access control monitoring of electronic access into an ESP;
3. Update the CIP Cyber Asset inventory list; and
4. Include all EACMs for the established ESPs for the annually scheduled CVA.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

#### WECC2014014355 CIP-005-3a R5 - OVERVIEW

WECC determined that URE failed to: 1) ensure that all documentation reflected current configurations and process; 2) update documentation to reflect the modification of the network or controls within ninety calendar days of the change; and 3) retain electronic access logs for at least 90 calendar days.

WECC determined the duration of the violation to be from when URE failed to review, update, and maintain its CIP-005 documentation, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Create a new ESP drawing for its substations, to be reviewed annually;
2. Establish the ESPs at its substations by installing and configuring the firewalls; and
3. Update the CIP Cyber Asset inventory list.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

#### WECC2014014356 CIP-006-3c R1 - OVERVIEW

WECC determined that URE failed to document, implement, and maintain a physical security plan.

WECC determined the duration of the violation to be from when URE energized the first substation without implementing a physical security plan, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to complete installation of PSP physical security controls for its substations.

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URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014357 CIP-006-3c R2 - OVERVIEW

WECC determined that URE failed to ensure that all PACS were afforded required protective measures.

WECC determined the duration of the violation to be from when URE energized the first substation without implementing protections to the PACS, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Modify IT project management documents to ensure that all IT projects identify potential CIP requirements at project initiation and that all applicable CIP requirements are completed and validated prior to project completion;
2. Train infrastructure project managers on the modified processes and procedures;
3. Finalize, approve, and publish all new and modified documentation associated with this Mitigation Plan; and
4. Review and approve certification of plan and evidence.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014358 CIP-006-3c R3 - OVERVIEW

WECC determined that URE failed to ensure that Cyber Assets used in the access control and/or monitoring of the ESP resided within an identified PSP.

WECC determined the duration of the violation to be from when URE energized the first substation without ensuring that EACM devices were enclosed within a PSP, through when URE established a PSP at the substations.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESP at its substations by installing and configuring the firewalls;
2. Complete installation of PSP physical security controls, protecting the EACMs, in the substations; and
3. Update the CIP Cyber Asset inventory list with the EACMs.

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URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014013785 CIP-006-3c R4 - OVERVIEW

WECC determined that URE failed to document and implement operational and procedural controls to manage physical access at all access points to the PSP 24 hours a day, seven days a week.

WECC determined the duration of the violation to be from when URE energized the first substation without providing physical access controls, through when URE established a PSP at the substations.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Complete the installation of PSP physical security controls in its substations; and
2. Create an attestation of PSP commissioning and required criteria needed before a Cyber Asset is declared operational or changed.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014013784 CIP-006-3c R5 - OVERVIEW

WECC determined that URE failed to document and implement the technical and procedural controls for monitoring physical access at all access points to all PSPs 24 hours a day, seven days a week, and failed to immediately review and handle all unauthorized access attempts.

WECC determined the duration of the violation to be from when URE energized the first substation without implementing physical access monitoring, through when URE established a PSP at the substations.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Complete the installation of PSP physical security controls in its substations; and
2. Create an attestation of PSP commissioning and required criteria needed before a Critical Asset is declared operational or changed.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

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WECC2014014359 CIP-006-3c R6 - OVERVIEW

WECC determined that URE failed to log physical access with sufficient information to identify individuals uniquely and the time of access 24 hours a day, seven days a week. WECC determined that URE also failed to implement and document the technical and procedural mechanisms for logging physical entry at all access points to the PSP using computer logging, video recording, or manual logging.

WECC determined the duration of the violation to be from when URE energized the first substation without establishing the appropriate physical entry logging at all access points to the PSP, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to complete the installation of PSP physical security controls in its substations.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014360 CIP-007-3a R1 - OVERVIEW

WECC determined that URE failed to ensure that new Cyber Assets and significant changes to existing Cyber Assets within the ESP do not adversely affect existing cyber security controls.

WECC determined the duration of the violation to be from when URE energized the first substation without ensuring that new Cyber Assets did not adversely affect existing cyber security controls, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESPs at its substations by installing and configuring the firewalls;
2. Update the CIP Cyber Asset inventory list; and
3. Apply testing procedures to the new Cyber Assets within the established ESP.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014361 CIP-007-3a R2 - OVERVIEW

WECC determined that URE failed to establish, document, and implement a process to ensure that only those ports and services required for normal and emergency operations were enabled.

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WECC determined the duration of the violation to be from when URE energized the first substation without ensuring that only those ports and services required for normal and emergency operations were enabled, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESPs at its substations by installing and configuring the firewalls;
2. Update the CIP Cyber Asset inventory list; and
3. Update the Cyber Asset whitelist (ports and services) to include the new Cyber Assets within the established ESPs.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

#### WECC2014014362 CIP-007-3a R3 - OVERVIEW

WECC determined that URE failed to establish, document, and implement a security patch management program for tracking, evaluating, testing, and installing applicable cyber security software patches for all Cyber Assets within the ESP.

WECC determined the duration of the violation to be from when URE energized the first substation without implementing a security patch management program, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESPs at its substations by installing and configuring the firewalls;
2. Update the CIP Cyber Asset inventory list; and
3. Update the security patches, where technically feasible, to the new Cyber Assets within the established ESPs, including PACS.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

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WECC2014014363 CIP-007-3a R5 - OVERVIEW

WECC determined that URE failed to establish, implement, and document technical and procedural controls that enforce access authentication of, and accountability for, all user activity, and that minimize the risk of unauthorized system access.

WECC determined the duration of the violation to be from when URE energized the first substation without implementing account management activities, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESPs at its substations by installing and configuring the firewalls;
2. Update the CIP Cyber Asset inventory list; and
3. Apply authentication and access control for individual and shared accounts, and maintain user activity logs for the Cyber Assets within the established ESPs.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

WECC2014014364 CIP-007-3a R6 - OVERVIEW

WECC determined that URE failed to ensure that all Cyber Assets within the ESP implement automated tools or organizational process controls to monitor system events related to cyber security.

WECC determined the duration of the violation to be from when URE energized the first substation without ensuring security status monitoring, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Establish the ESPs at its substations by installing and configuring the firewalls;
2. Update the CIP Cyber Asset inventory list; and
3. Apply security monitoring, where technically feasible, to the Cyber Assets within the established ESPs.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

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WECC2014014365 CIP-007-3a R8 - OVERVIEW

WECC determined that URE failed to perform a CVA of all Cyber Assets within the ESP annually.

WECC determined the duration of the violation to be from when URE energized the first substation without completing a CVA, through when URE completed its Mitigation Plan.

URE submitted its Mitigation Plan to address the referenced violation. URE's Mitigation Plan required URE to:

1. Update the CIP Cyber Asset inventory list; and
2. Ensure that the current CIP Cyber Asset inventory list is used for the annually scheduled CVA.

URE certified that it had completed its Mitigation Plan, and WECC verified that URE had completed all mitigation activities.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, WECC has assessed a penalty of one million one hundred twenty-five thousand dollars (\$1,125,000) for the referenced violations. In reaching this determination, WECC considered the following factors:

1. WECC determined the compliance history should serve as an aggravating factor;
2. WECC did not consider URE's ICP as a mitigating factor in the penalty determination because of the ICP's significant failure in this case;
3. URE self-reported 18 of the violations after consultation with WECC about a self-certified noncompliance, resulting in minimal credit;
4. URE was cooperative throughout the compliance enforcement process;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. Considered in the aggregate, the 19 violations posed a serious and substantial risk to the reliability of the BPS;
7. URE is developing and implementing a project to improve the work management process by replacing the multiple systems and tools previously used with a single unified system applied across the URE enterprise. The project will significantly improve the reliability and security of URE's system and help URE avoid noncompliance with these standards in the future. Specifically, the improvement in work management processes, as well as the improved controls, timeliness, and quality for asset data quality will significantly reduce the risk of potential security and compliance events caused by an inaccurate inventory of BES Cyber



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Systems and their associated assets. The project goes above and beyond meeting the minimum NERC CIP requirements by providing best practices to ensure that NERC CIP compliance is met and maintained on an ongoing basis with minimal errors given the automation in the system; and

8. there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, WECC determined that, in this instance, the penalty amount of one million one hundred twenty-five thousand dollars (\$1,125,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

#### **Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed<sup>4</sup>**

##### **Basis for Determination**

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,<sup>5</sup> the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on September 29, 2016, and approved the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of one million one hundred twenty-five thousand dollars (\$1,125,000) is appropriate for the violations and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), the penalty will be effective upon expiration of the 30-day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

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<sup>4</sup> See 18 C.F.R. § 39.7(d)(4).

<sup>5</sup> *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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**Notices and Communications:** Notices and communications with respect to this filing may be addressed to the following:

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Heather Laws\*  
Manager of Enforcement  
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\*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.

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**Conclusion**

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations, and orders.

Respectfully submitted,

/s/ Edwin G. Kichline

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cc: Unidentified Registered Entity  
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