



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

February 29, 2012

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. NP12-_-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Unidentified Registered Entity (URE), NERC Registry ID# NCRXXXXX, in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).²

URE self-reported violations³ of CIP-004-1⁴ R2 to R3 to the Western Electricity Coordinating Council (WECC) for URE's failure to have complete documentation to prove that all individuals with current or past unescorted access to Critical Cyber Assets (CCAs) or Critical Assets received a personal risk assessment (PRA) and/or training as required per the Standard. URE self-reported a violation of CIP-004-1 R4 to WECC for URE's failure to maintain lists of personnel with authorized cyber or authorized unescorted physical access to CCAs including their specific electronic and physical access rights to CCAs consistent with the Standard. In addition, URE failed to terminate cyber access within seven calendar

¹ *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 (2011). *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).

² See 18 C.F.R. § 39.7(c)(2).

³ 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.

⁴ These CIP-004 violations span versions 1 through 3 of the Standard. For consistency, these documents use CIP-004-1 throughout.

3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 2

days for a number of personnel who no longer required access to CCAs pursuant to the Standard. URE self-reported a violation of INT-006⁵ R1 to WECC for its electronic tags (E-Tags) reaching an expired state, which resulted in a failure to respond to a request from Interchange Authorities to transition an Arranged Interchange to a Confirmed Interchange prior to the expiration of the reliability assessment period. URE self-reported a violation of PRC-023-1 R1 to WECC for URE's failure to set its transmission line relays to be consistent with the Standard. URE self-reported a violation of TOP-005-1⁶ R1 to WECC for URE's failure to provide the WECC Reliability Coordinator (RC) with operating data per the Standard. This Notice of Penalty is being filed with the Commission because WECC and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from WECC's determination and findings of the violations of CIP-004 R2 to R4, INT-006 R1, PRC-023-1 R1 and TOP-005-1 R1. According to the Settlement Agreement, URE agrees and stipulates to the facts of the violations and has agreed to the assessed penalty of eighty thousand dollars (\$80,000), 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. Accordingly, the violations identified as NERC Violation Tracking Identification Numbers WECC201002195, WECC201002196, WECC201002197, WECC200902054, WECC201002334 and WECC201102378 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on September 27, 2011, by and between WECC and URE, which is included as Attachment a. 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 (2011), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

⁵ Reference to INT-006 herein refers to versions of INT-006-2 and INT-006-3. When referencing a specific version of the standard, or set of standards, a version number will be applied to that particular reference.

⁶ The violation spans versions 1 and 1.1 of the Standard. For consistency, TOP-005-1 will be used throughout.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 3

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
Western Electricity Coordinating Council	Unidentified Registered Entity	NOC-985	WECC201002195	CIP-004-1	2	Medium ⁷	80,000
			WECC201002196		3	Medium ⁸	
			WECC201002197		4	Medium ⁹	
			WECC200902054	INT-006	1	Lower	
			WECC201002334	PRC-023-1	1	High	
			WECC201102378	TOP-005-1	1	Medium	

WECC201002195 CIP-004-1 R2

The purpose statement of Reliability Standard CIP-004-1 provides in pertinent part: “Standard CIP-004 requires that personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, including contractors and service vendors, have an appropriate level of personnel risk assessment, training, and security awareness. Standard CIP-004 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009.”

CIP-004-1 R2 provides:

R2. Training — The Responsible Entity^[10] shall establish, maintain, and document an annual cyber security training program for personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, and review the program annually and update as necessary.

⁷ CIP-004-1 R2, R2.2.1, R2.2.2, R2.2.3 and R2.3 each have a “Lower” Violation Risk Factor (VRF); CIP-004-1 R2.1, R2.2 and R2.2.4 each have a “Medium” VRF. In the context of this case, WECC determined the violation included R2.1 and R2.2, so a “Medium” VRF is appropriate for this violation.

⁸ CIP-004-1 R3 has a “Medium” VRF; CIP-004-1 R3.1, R3.2 and R3.3 each have a “Lower” VRF.

⁹ CIP-004-1 R4 and R4.1 each have a “Lower” VRF; CIP-004-1 R4.2 has a “Medium” VRF. In the context of this case, WECC determined the violation included R4.2, so a “Medium” VRF is appropriate for this violation.

¹⁰ Within the text of Standard CIP-004, “Responsible Entity” shall mean Reliability Coordinator, Balancing Authority, Interchange Authority, Transmission Service Provider, Transmission Owner, Transmission Operator, Generator Owner, Generator Operator, Load Serving Entity, NERC, and Regional Reliability Organizations.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 4

R2.1. This program will ensure that all personnel having such access to Critical Cyber Assets, including contractors and service vendors, are trained within ninety calendar days of such authorization.

R2.2. Training shall cover the policies, access controls, and procedures as developed for the Critical Cyber Assets covered by CIP-004, and include, at a minimum, the following required items appropriate to personnel roles and responsibilities:

R2.2.1. The proper use of Critical Cyber Assets;

R2.2.2. Physical and electronic access controls to Critical Cyber Assets;

R2.2.3. The proper handling of Critical Cyber Asset information; and,

R2.2.4. Action plans and procedures to recover or re-establish Critical Cyber Assets and access thereto following a Cyber Security Incident.

R2.3. The Responsible Entity shall maintain documentation that training is conducted at least annually, including the date the training was completed and attendance records.

(Footnote added.)

CIP-004-1 R2 has a "Medium" Violation Risk Factor (VRF) and a "Lower" Violation Severity Level (VSL).

WECC issued notice of an on-site Spot Check to be conducted at URE offices. One month before the scheduled Spot Check, URE submitted a Self-Report citing possible noncompliance with CIP-004-1 R2. URE reported that, while preparing for the Spot Check, it discovered that it did not have complete documentation to prove that all individuals with current or past unescorted access to CCAs received training as required per the Standard.

During the Spot Check, WECC auditors reviewed URE's lists identifying all individuals with current or prior access to CCAs. From this list of individuals, WECC auditors randomly selected individuals for whom training documentation was reviewed. The auditors identified a total of three individuals who were granted access to CCAs without receiving required training.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 5

WECC determined that URE had a violation of CIP-004-1 R2 because URE failed to ensure that all personnel received training pursuant to CIP-004-1 R2.1. In addition, URE had failed to maintain documentation pursuant to R2.3.

WECC determined the duration of the violation to be from the first day following Certification of Mitigation Plan Completion for a prior CIP violation of URE, through when URE completed its Mitigation Plan.

WECC determined that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because although URE did not ensure that personnel received training within the timeframe prescribed under R2.1, and did not maintain documentation of training as required under R2.3, URE did implement a training program pursuant to R2.2. In addition, the scope of the violation is limited in that URE provided documentation demonstrating that approximately 96% of personnel surveyed by WECC auditors did receive required training pursuant to R2.1. For these reasons, WECC determined this violation posed minimal risk to the BPS.

WECC201002196 CIP-004-1 R3

CIP-004-1 R3 provides:

R3. Personnel Risk Assessment —The Responsible Entity shall have a documented personnel risk assessment program, in accordance with federal, state, provincial, and local laws, and subject to existing collective bargaining unit agreements, for personnel having authorized cyber or authorized unescorted physical access. A personnel risk assessment shall be conducted pursuant to that program within thirty days of such personnel being granted such access. Such program shall at a minimum include:

R3.1. The Responsible Entity shall ensure that each assessment conducted include, at least, identity verification (e.g., Social Security Number verification in the U.S.) and seven year criminal check. The Responsible Entity may conduct more detailed reviews, a permitted by law and subject to existing collective bargaining unit agreements, depending upon the criticality of the position.

R3.2. The Responsible Entity shall update each personnel risk assessment at least every seven years after the initial personnel risk assessment or for cause.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 6

R3.3. The Responsible Entity shall document the results of personnel risk assessments of its personnel having authorized cyber or authorized unescorted physical access to Critical Cyber Assets, and that personnel risk assessments of contractor and service vendor personnel with such access are conducted pursuant to Standard CIP-004.

CIP-004-1 R3 has a “Medium” VRF and a “Lower” VSL.

WECC issued notice of an on-site Spot Check to be conducted at URE offices. One month before the scheduled Spot Check, URE submitted a Self-Report citing possible noncompliance with CIP-004-1 R3. URE reported that, while preparing for the Spot Check, it discovered that it did not have complete documentation to prove that all individuals with current or past unescorted access to CCAs received a PRA and/or training as required per the Standard.

During the course of the on-site Spot Check, WECC auditors reviewed URE’s PRA program and lists of individuals given access to CCAs. WECC auditors determined that a number of individuals were given access to CCAs without completing a PRA in a 13-month period.

WECC determined that URE had a violation of CIP-004-1 R3 because although URE had an implemented PRA program, it failed to provide documentation demonstrating that all personnel with access to CCAs had undergone PRAs. In addition, URE failed to ensure that all its personnel underwent PRAs per the Standard.

WECC determined the duration of the violation to be from the first day following Certification of Mitigation Plan Completion for a prior CIP violation of URE, through when URE completed its Mitigation Plan.

WECC determined that this violation did not pose a serious or substantial risk to the reliability of the BPS because URE did have a PRA program in place conforming to CIP-004-1 R3 and the content of the program did satisfy CIP-004-1, and URE provided documentation showing that about 95% of its personnel had completed PRAs within the timeframe prescribed under CIP-004 R3. URE has a strong compliance program and its employees had received some training regarding cyber security. For these reasons, WECC determined this violation posed minimal risk to the BPS.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 7

WECC201002197 CIP-004-1 R4
CIP-004-1 R4 provides:

R4. Access — The Responsible Entity shall maintain list(s) of personnel with authorized cyber or authorized unescorted physical access to Critical Cyber Assets, including their specific electronic and physical access rights to Critical Cyber Assets.

R4.1. The Responsible Entity shall review the list(s) of its personnel who have such access to Critical Cyber Assets quarterly, and update the list(s) within seven calendar days of any change of personnel with such access to Critical Cyber Assets, or any change in the access rights of such personnel. The Responsible Entity shall ensure access list(s) for contractors and service vendors are properly maintained.

R4.2. The Responsible Entity shall revoke such access to Critical Cyber Assets within 24 hours for personnel terminated for cause and within seven calendar days for personnel who no longer require such access to Critical Cyber Assets.

CIP-004-1 R4 has a “Medium” VRF and a “Moderate” VSL.

URE submitted a Self-Report citing possible noncompliance with CIP-004-1 R4. URE stated that since the Standard became mandatory and enforceable, it failed to maintain lists of personnel with authorized cyber or authorized unescorted physical access to CCAs including their specific electronic and physical access rights to CCAs consistent with the Standard. In addition, URE reported that it failed to terminate cyber access within seven calendar days for 11 personnel who no longer required access to CCAs pursuant to CIP-004-1 R4.2. URE believed physical access was removed because personnel no longer had physical possession of their access badges. Access badge retention, not lists identifying employees with physical access rights per the Standard, appeared to be the means by which URE tracked physical access rights. With respect to accounting for access badges, URE stated in its Self-Report that in some instances, standard documentation for revoking badge access was not available. The scope of the violation is limited to 11 individuals who were reassigned to other roles within the company. In addition, with respect to cyber access, URE failed to provide documentation of revocation.

WECC subject matter experts (SMEs) and auditors (collectively, Audit Team) found that although URE did maintain lists of personnel with authorized cyber or authorized unescorted physical access to CCAs,

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 8

it failed to completely update lists for personnel changes pursuant to R4.1. The Audit Team also determined that URE failed to revoke access to CCAs within seven calendar days for personnel who no longer required such access pursuant to R4.2. WECC Enforcement reviewed these findings and determined that, although URE conducted annual reviews and some updates, R4.1 requires reviews and updates of access lists within the time periods identified in R4.1, and URE failed to update all access lists per R4.1.

WECC determined that URE had a violation of CIP-004-1 R4 because URE failed to demonstrate that it revoked physical and logical access to CCAs for employees who no longer required access within seven calendar days.

WECC determined the duration of the violation to be from the first day following Certification of Mitigation Plan Completion for a prior CIP violation of URE, through when URE completed its Mitigation Plan.

WECC determined that this violation did not pose a serious or substantial risk to the reliability of the BPS. The purpose of CIP-004 is to ensure that CCAs are secured against malicious attack or misuse from personnel, including contractors and service vendors, having authorized logical or authorized unescorted physical access thereto. R4 requires entities to document and maintain lists of personnel with logical and physical access to CCAs. Access risks posed by individuals who are reassigned within URE are not as great as those posed by individuals who are terminated. URE failed to terminate access rights within seven days for eleven individuals who were reassigned to other roles within URE. The risks are somewhat diminished by the limited scope of the violation. URE noncompliance is limited to instances where personnel were reassigned. Further, URE did confiscate badges of such personnel affording them with access rights, thereby limiting the risk of these eleven individuals gaining physical access to CCAs. WECC Enforcement determined that URE's violation of CIP-004 R4 posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BPS.

WECC200902054 INT-006 R1

The purpose statement of Reliability Standard INT-006-2 provides: "To ensure that each Arranged Interchange is checked for reliability before it is implemented."

INT-006-2 R1 provides:

R1. Prior to the expiration of the reliability assessment period defined in the Timing Table, Column B, the Balancing Authority and Transmission Service Provider shall

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 9

respond to a request from an Interchange Authority to transition an Arranged Interchange to a Confirmed Interchange.

R1.1. Each involved Balancing Authority shall evaluate the Arranged Interchange with respect to:

R1.1.1. Energy profile (ability to support the magnitude of the Interchange).

R1.1.2. Ramp (ability of generation maneuverability to accommodate).

R1.1.3. Scheduling path (proper connectivity of Adjacent Balancing Authorities).

R1.2. Each involved Transmission Service Provider shall confirm that the transmission service arrangements associated with the Arranged Interchange have adjacent Transmission Service Provider connectivity, are valid and prevailing transmission system limits will not be violated.

INT-006-2 R1 has a “Lower” VRF and a “Severe” VSL.

URE submitted a Self-Report citing possible noncompliance with INT-006-2 R1. Specifically, URE reported its newly-installed E-Tag validation process did not operate as expected, resulting in 56 E-Tags reaching an expired state in a 15-month period. After URE submitted the Self-Report, it disclosed to a WECC SME that it continued to experience problems with its control area scheduler system and its E-Tag validation process, resulting in over 50 additional occurrences of expired E-Tags.

WECC determined that URE had a violation of INT-006-2 R1 because, due to the E-Tags reaching an expired state, URE failed, in at least 459 instances, to respond to a request from Interchange Authorities to transition an Arranged Interchange to a Confirmed Interchange prior to the expiration of the reliability assessment period defined in the Timing Table, Column B of the Standard.

WECC determined the duration of the violation to be from the date the E-Tags first reached an expired state, through the present, as URE has yet to complete its Mitigation Plan.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 10

WECC determined that this violation did not pose a serious or substantial risk to the reliability of the BPS. In this case, due to problems implementing its control area scheduler system, URE failed to respond to a request from an Interchange Authority to transition an Arranged Interchange to a Confirmed Interchange. Although the scope of the violation includes at least 459 expired E-Tags, when considered within the context of the total number of E-tags URE coordinates, risks posed by noncompliance are less significant. None of the expired E-Tags were "Reliability Tags," but were requests for economic dispatches only. Many of the expired E-Tags were a direct result of URE being dependent on communication paths with its third-party vendor responsible for tag validation and the interchange authority, which were communication and technical issues beyond the immediate control of URE. None of the expired E-Tags were the result of operator error or the intentional failure to respond to a request. Further, despite dropping 459 E-Tags, URE still responded to over 99% of requests from Interchange Authorities within the requisite timeframe in the 15-month period. For these reasons, WECC determined this violation posed minimal risk to the BPS.

WECC201002334 PRC-023-1R1

The purpose statement of Reliability Standard PRC-023-1 provides: "Protective relay settings shall not limit transmission loadability; not interfere with system operators' ability to take remedial action to protect system reliability and; be set to reliably detect all fault conditions and protect the electrical network from these faults."

PRC-023-1 R1 provides in pertinent part:

R1. Each Transmission Owner, Generator Owner, and Distribution Provider shall use any one of the following criteria (R1.1 through R1.13) for any specific circuit terminal to prevent its phase protective relay settings from limiting transmission system loadability while maintaining reliable protection of the Bulk Electric System for all fault conditions. Each Transmission Owner, Generator Owner, and Distribution Provider shall evaluate relay loadability at 0.85 per unit voltage and a power factor angle of 30 degrees: [Violation Risk Factor: High] [Mitigation Time Horizon: Long Term Planning].

R1.1. Set transmission line relays so they do not operate at or below 150% of the seasonal Facility Rating of a circuit, for the available defined loading duration nearest 4 hours (expressed in amperes).

PRC-023-1 R1 has a "High" VRF and a "Moderate" VSL.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 11

URE submitted a Self-Report citing possible noncompliance with PRC-023-1 R1. URE reported that relays on one of its transmission lines were not set to operate at or below 150% of the highest 4-hour Facility Rating per the Standard. URE indicated that it had not included these relays in previous self-audits, as URE inferred that ownership and maintenance fell to the line's substation owner. Upon review of transmission line maintenance and testing responsibility, URE and the substation owner clarified the terms of their agreement to assign relay ownership and maintenance responsibility to URE. A WECC SME found that the relay settings were set above the range prescribed by R1.1; however, the SME did note that the scope of the violation was limited to the devices identified by URE in its Self-Report. The SME determined that out of over 200 sets of transmission line relay settings reviewed in a one-year period for PRC-023 compliance, this was the only transmission line relay setting found noncompliant. WECC Enforcement further found that the relay affected by the violation was a "back-up" device in service for a number of years on the transmission line.

WECC determined that URE had a violation of PRC-023-1 R1 because URE failed to set its relay settings to operate at or below 150% of the highest winter 4-hour Facility Rating pursuant to the Standard.

WECC determined the duration of the violation to be from the date the Standard became enforceable, through when URE completed its Mitigation Plan.

WECC determined that this violation did not pose a serious or substantial risk to the reliability of the BPS because the affected relays were considered back-up of last resort. Primary protection relays were set pursuant to R1.1, so it was unlikely this violation could have seriously compromised reliability. Further, WECC determined that backup relay settings did not result in line trips or system damage. For these reasons, WECC determined this violation posed minimal risk to the BPS.

WECC201102378 TOP-005-1 R1

The purpose statement of Reliability Standard TOP-005-1 provides: "To ensure reliability entities have the operating data needed to monitor system conditions within their areas."

TOP-005-1 R1 provides: "Each Transmission Operator and Balancing Authority shall provide its Reliability Coordinator with the operating data that the Reliability Coordinator requires to perform operational reliability assessments and to coordinate reliable operations within the Reliability Coordinator Area."

TOP-005-1 R1 has a "Medium" VRF and a "Lower" VSL.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 12

URE submitted a Self-Report citing possible noncompliance with TOP-005-1 R1.1. URE reported that during a 27-month period, URE provided the WECC RC with a conservative scheduling limit on a transmission facility rather than the real-time System Operating Limit (SOL). A WECC SME found that URE failed to provide its RC with information necessary to calculate URE's SOL on this facility. URE's RC requested real-time load data and instead URE provided average hourly data. Consequently, the RC relied on inaccurate data to derive an artificially deflated or conservative SOL calculation for the transmission facility.

WECC determined that URE had a violation of TOP-005-1 R1 because URE failed to provide real-time load data per the Standard, preventing its RC from adequately assessing reliability and coordinating reliability operations with respect to the transmission facility.

WECC determined the duration of the violation to be from the first date inaccurate data was provided to the RC, through when URE mitigated the instant violation.

WECC determined that this violation did not pose a serious or substantial risk to the reliability of the BPS because the RC was operating based on a more conservative SOL derived from the hourly data provided by URE, so it was not close to exceeding the real-time SOL. In this case, URE had failed to provide real-time load data reflecting a less conservative limit. WECC determined that two weeks before URE mitigated the instant violation, URE's RC identified a problem on the transmission facility. Based on the hourly load data provided by URE, it appeared as though the facility was exceeding its SOL. The RC issued a directive to URE to return the facility to its SOL. URE responded and its grid operators opened the facility. An accurate SOL based on real-time data would have been higher than the more conservative SOL calculated using hourly data. If URE had provided its RC with real-time data, it is unlikely a reliability directive would have been necessary. For these reasons, WECC determined this violation posed minimal risk to the BPS.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, WECC has assessed a penalty of eighty thousand dollars (\$80,000) for the referenced violations. In reaching this determination, WECC considered the following factors: (1) VRF; (2) VSL; (3) risk to the reliability of the BPS, including the seriousness of the violation; (4) the Registered Entity's negative compliance history; (5) the Registered Entity's Self-Reports and voluntary corrective credit of all the instant violations;¹¹ (6) URE's completion of any applicable

¹¹ WECC only applied partial self-reporting credit for the CIP-004-1 R2 and R3 violations as URE submitted its Self-Report after WECC sent its Spot Check notice.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 13

compliance directives; (7) the degree and quality of cooperation by the Registered Entity throughout the investigative process, and in any remedial action; (8) the quality of the Registered Entity's compliance program; (9) any attempt by the Registered Entity to conceal the violation or any related information; and (10) whether the violation was intentional.

After consideration of the above factors, WECC determined that, in this instance, the penalty amount of eighty thousand dollars (\$80,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

Status of Mitigation Plan¹²

CIP-004-1 R2, R3 and R4

URE's Mitigation Plans to address its violations of CIP-004-1 R2, R3 and R4 were submitted to WECC on June 28, 2010. On December 24, 2010, URE submitted Mitigation Plan Extension Requests, requesting an extension of its Mitigation Plan completion dates from January 1, 2011 to April 8, 2011. The Mitigation Plans were accepted by WECC on November 15, 2010 and approved by NERC on July 20, 2011. The Mitigation Plans for these violations were submitted as non-public information to FERC on July 22, 2011 in accordance with FERC orders.

URE's Mitigation Plans required URE to:

1. Remove all logical access, for personnel who transfer within the company, to CCAs and physical access to Critical Assets (except for the individual's primary work locations) within 7 calendar days of the effective date of the transfer;
2. Make improvements to ensure that logical access lists are maintained to the same level as the gateway account that allows the access in the transmission and distribution control centers;
3. Implement a daily access review call and provide additional verification that appropriate actions are being taken;
4. Replace the CCA-specific spreadsheets for physical access and separately-stored email files with a consolidated database for control center and substation physical access. The new database

¹² See 18 C.F.R § 39.7(d)(7).

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 14

will allow access administrators to attach evidence of emails to specific profiles within the database which will consolidate and organize pertinent data in a single location;

5. Create a more significant process for redesign and system improvements to sustain compliance and fully and effectively comply with all areas of CIP-004-1. This redesign effort will encompass the examination of HR processes related to training, PRAs and transfers and terminations of all personnel; and
6. Evaluate structural changes in the process of approving users based on required training and background checks for CIP-related access. The system improvements will create a single centralized repository of user access information to facilitate list updates and validation of actions taken, extend operational reporting capability of user access to CCA, and implement process automation using existing or new software tools. Improvements will be made to effectively integrate HR and training data into the user access detail and provide improvements in workflow to enable the adequate evidencing and monitoring of user access transactions (adding users only after valid training and PRAs have been confirmed completed).

URE certified that the above Mitigation Plans requirements were completed. As evidence of completion of its Mitigation Plans, URE submitted the following:

1. Effective versions of URE's policies and procedures governing its security training and awareness program;
2. PRA program document;
3. CCA physical and cyber access management program document;
4. CCA physical and cyber access management policy document; and
5. A report listing all personnel with current access and the dates of their currently effective training and PRAs.

After WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plans were completed and notified URE that it had verified completion of the Mitigation Plans.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 15

INT-006 R1

URE's Revised Mitigation Plan to address its violation of INT-006 R1 was submitted to WECC on September 29, 2010. The Mitigation Plan was accepted by WECC on November 15, 2010 and approved by NERC on July 20, 2011. The Mitigation Plan for this violation was submitted as non-public information to FERC on January 27, 2011 in accordance with FERC orders.

URE's Revised Mitigation Plan requires URE to:

1. Continue to strengthen its tagging system and processes to minimize tag expiration. URE will work with the third-party E-Tag vendor to refine the E-Tag validation process so that tags and/or requests are not allowed to reach an expired state;
2. Refine its server configuration to avoid memory issues, and implementation enhancement to multi-thread the tag approval service, allowing more than one tag to be processed simultaneously;
3. Establish a dedicated network link with its vendor to support transmission of tags, providing a secondary tag processing method in the event of future software issues; and
4. Implement site switch capability that can be completed within one minute, such that the secondary site can provide processing in the event of an outage at the primary site.

URE submitted a request for an extension to complete its Mitigation Plan. URE submitted a further extension to complete its Mitigation Plan. WECC accepted the extension request, with an approved Mitigation Plan completion date of June 30, 2012.

PRC-023-1 R1

URE's Mitigation Plan to address its violation of PRC-023-1 R1 was submitted to WECC on December 23, 2010. The Mitigation Plan was accepted by WECC on January 31, 2011 and approved by NERC on February 28, 2011. The Mitigation Plan for this violation was submitted as non-public information to FERC on February 28, 2011 in accordance with FERC orders.

URE's Mitigation Plan required URE to:

1. Complete the design to replace the affected transmission line relay panel at the identified substation;

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 16

2. Replace the affected transmission line relay panel;
3. Develop, issue and install relay settings for new relays installed at the identified substation; and
4. Develop and document an audit process to identify URE-responsible relay settings at non-URE owned interface substations.

URE certified that the above Mitigation Plan requirements were completed. As evidence of completion of its Mitigation Plan, URE submitted the following:

1. A design package transmittal sheet that lists all the issued drawings related to the project to replace the affected transmission line relay panel that was issued for construction;
2. A substation one-line diagram was provided as a sample high-level drawing from the design package;
3. The relay setting order cover sheet for the replacement of the affected transmission line relay panel was provided. The issue date of the relay setting order from the engineering department was provided and the date the relay was set was provided. This relay setting order serves as evidence that both the relay panels have been installed and that the relay settings have been developed, issued and installed;
4. A relay equipment memorandum provided details regarding the removed equipment, installed equipment and energization date for the project;
5. The calculation sheet report for the relay settings installed on the transmission line, excerpted from the database that has been developed to track PRC-023-1 compliance was provided. This sheet contains the input values required to calculate and display the relay settings' compliance with R1.1;
6. The database user manual provided an explanation of the function of the database and report described above; and
7. A document that outlined the audit process that URE will use to ensure whether other non-URE owned substations that interface with the URE system trigger relay settings for which it is responsible at these foreign-owned substations.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 17

After WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed and notified URE in a letter that WECC had verified completion of the Mitigation Plan.

TOP-005-1 R1

URE's Mitigation Plan to address its violation of TOP-005-1 R1 was submitted to WECC on January 11, 2011, stating it had been completed. The Mitigation Plan was accepted by WECC on February 7, 2011 and approved by NERC on March 7, 2011. The Mitigation Plan for this violation was submitted as non-public information to FERC on March 10, 2011 in accordance with FERC orders.

In its Mitigation Plan, URE indicated that this violation was mitigated when URE began using a simple limit for the identified transmission line during normal system operating conditions instead of a nomogram-driven limit and provided this limit to the RC. In all cases, URE will continue to monitor and send the real-time limit to its RC. In addition, operating procedures for this path will be revised to reflect this change.

URE certified that the above Mitigation Plan requirements were completed. As evidence of completion of its Mitigation Plan, URE submitted the following:

1. Documentation that URE now provides real-time limits for the transmission facility to the RC via ICCP and URE's operating procedures for the facility which reflects transfer of real-time limits data to the RC via ICCP;
2. Documentation which shows a list of limits sent in real-time to the RC via ICCP and showing the northbound and southbound limits;
3. Documentation which shows how the limit is determined based on the active case. The limit is then sent to the RC automatically via ICCP; and
4. Documentation which shows the calculations for the nomogram-driven limit. These limits are then sent automatically to the RC via ICCP.
5. Two documents that provide operating procedures for the northbound and southbound transmission facility, respectively. Operating procedures in both documents detail the updated simple limits.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 18

After WECC's review of URE's submitted evidence, WECC verified that URE's Mitigation Plan was completed and notified URE in a letter that WECC had verified completion of the Mitigation Plan.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed¹³

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,¹⁴ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on December 12, 2011. The NERC BOTCC approved the Settlement Agreement, including WECC's assessment of an eighty thousand dollar (\$80,000) financial penalty against URE and other actions to facilitate future compliance required under the terms and conditions of 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.

In reaching this determination, the NERC BOTCC considered the following factors:

1. URE's violation history;
2. URE self-reported the violations;¹⁵
3. WECC reported that URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program at the time of the violations which WECC considered a mitigating factor;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. WECC determined that the violations did not pose a serious or substantial risk to the reliability of the BPS, as discussed above; and
7. WECC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

¹³ See 18 C.F.R. § 39.7(d)(4).

¹⁴ *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).

¹⁵ See *supra* n. 11.

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 19

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of eighty thousand dollars (\$80,000) 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.

Request for Confidential Treatment

Information in and certain attachments to the instant NOP include confidential information as defined by the Commission's regulations at 18 C.F.R. Part 388 and orders, as well as NERC Rules of Procedure including the NERC CMEP Appendix 4C to the Rules of Procedure. This includes non-public information related to certain Reliability Standard violations, certain Regional Entity investigative files, Registered Entity sensitive business information and confidential information regarding critical energy infrastructure.

In accordance with the Commission's Rules of Practice and Procedure, 18 C.F.R. § 388.112, a non-public version of the information redacted from the public filing is being provided under separate cover.

Because certain of the attached documents are deemed confidential by NERC, Registered Entities and Regional Entities, NERC requests that the confidential, non-public information be provided special treatment in accordance with the above regulation.

Attachments to be Included as Part of this Notice of Penalty

The attachments to be included as part of this Notice of Penalty are the following documents:

- a) Settlement Agreement by and between WECC and URE executed September 27, 2011;
- b) Record documents for CIP-004-1 R2 and R3 :
 - 1. URE's Self-Report for CIP-004-1 R2 and R3;
 - 2. URE's Mitigation Plan for CIP-004-1 R2;
 - 3. URE's Mitigation Plan for CIP-004-1 R3;
 - 4. URE's Certification of Mitigation Plan Completion; and

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 20

5. WECC's Verification of Mitigation Plan Completion.

c) Record documents for CIP-004-1 R4 :

1. URE's Self-Report for CIP-004-1 R4;
2. URE's Mitigation Plan;
3. URE's Certification of Mitigation Plan Completion; and
4. WECC's Verification of Mitigation Plan Completion.

d) Record documents for INT-006 R1 :

1. URE's Self-Report for INT-006 R1;
2. URE's Mitigation Plan; and
3. URE's Mitigation Plan Extension.

e) Record documents for PRC-023-1 R1 :

1. URE's Self-Report for PRC-023-1 R1
2. URE's Mitigation Plan;
3. URE's Certification of Mitigation Plan Completion; and
4. WECC's Verification of Mitigation Plan Completion.

f) Record documents for TOP-005-1 R1 :

1. URE's Self-Report for TOP-005-1 R1;
2. URE's Mitigation Plan;
3. URE's Certification of Mitigation Plan Completion; and
4. WECC's Verification of Mitigation Plan Completion.

A Form of Notice Suitable for Publication¹⁶

A copy of a notice suitable for publication is included in Attachment g.

¹⁶ See 18 C.F.R § 39.7(d)(6).

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 21

Notices and Communications

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

<p>Gerald W. Cauley President and Chief Executive Officer North American Electric Reliability Corporation 3353 Peachtree Road NE Suite 600, North Tower Atlanta, GA 30326-1001 (404) 446-2560</p> <p>David N. Cook* Senior Vice President and General Counsel North American Electric Reliability Corporation 1325 G Street N.W., Suite 600 Washington, DC 20005 (202) 400-3000 david.cook@nerc.net</p> <p>Mark Maher* Chief Executive Officer Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (360) 213-2673 (801) 582-3918 – facsimile Mark@wecc.biz</p>	<p>Rebecca J. Michael* Associate General Counsel for Corporate and Regulatory Matters Sonia C. Mendonça* Attorney North American Electric Reliability Corporation 1325 G Street, N.W. Suite 600 Washington, DC 20005 (202) 400-3000 rebecca.michael@nerc.net sonia.mendonca@nerc.net</p> <p>Christopher Luras* Manager of Compliance Enforcement Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6887 (801) 883-6894 – facsimile CLuras@wecc.biz</p> <p>Sandy Mooy* Associate General Counsel Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 819-7658 (801) 883-6894 – facsimile SMooy@wecc.biz</p>
--	--

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 22

Constance White* Vice President of Compliance Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6855 (801) 883-6894 – facsimile CWhite@wecc.biz	*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.
--	--

NERC Notice of Penalty
Unidentified Registered Entity
February 29, 2012
Page 23

Conclusion

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

Respectfully submitted,

/s/ Rebecca J. Michael

Rebecca J. Michael
Associate General Counsel for Corporate
and Regulatory Matters
Sonia C. Mendonça
Attorney
North American Electric Reliability
Corporation
1325 G Street, N.W.
Suite 600
Washington, DC 20005
(202) 400-3000
rebecca.michael@nerc.net
sonia.mendonca@nerc.net

Gerald W. Cauley
President and Chief Executive Officer
North American Electric Reliability
Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326-1001
(404) 446-2560

David N. Cook
Senior Vice President and General Counsel
North American Electric Reliability
Corporation
1325 G Street N.W., Suite 600
Washington, DC 20005
(202) 400-3000
david.cook@nerc.net

cc: Unidentified Registered Entity
Western Electricity Coordinating Council

Attachments