

April 27, 2017

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 Penalty¹ 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)).²

NERC is filing this Notice of Penalty, with information and details regarding the nature and resolution of the violations,³ with the Commission because Western Electricity Coordinating Council (WECC) and

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 (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).

² See 18 C.F.R § 39.7(c)(2) and 18 C.F.R § 39.7(d).

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.

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URE have entered into Settlement Agreements⁴ to resolve all outstanding issues arising from WECC’s determination and findings of violations of Critical Infrastructure Protection (CIP) Reliability Standards.

According to the Settlement Agreements, URE neither admits nor denies the violations, but has agreed to the assessed penalty of two hundred and one thousand dollars (\$201,000), in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Settlement Agreements.

Statement of Findings Underlying the Violations

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreements, by and between WECC and URE. The details of the findings and basis for the penalty are set forth in the Settlement Agreements and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreements 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 Agreements.

*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
WECC2015014909	CIP-006-3c	R2.2	Medium/ High	SR	Moderate	\$201,000
WECC2015015031	CIP-004-1	R3	Lower/ Moderate			

WECC2015014909 CIP-006-3c R2.2- OVERVIEW

WECC determined that URE did not afford the protective measures of CIP-007-3a R5.1.1 to its Physical Access Control System (PACS). Specifically, URE reported that during a review of its PACS

⁴ NERC combined these settlement agreements into one Full Notice of Penalty for ease of review and efficiency. For CIP-004-1 R3, the final penalty was \$113,000 and for CIP-006-3c R2, the final penalty was \$88,000 for a total penalty of \$201,000.

access list, URE discovered that one of its PACS administrators had received administrative rights to the PACS before the access was approved.⁵ During communications with WECC, URE determined that it had a second instance of possible noncompliance because it had one virtual server that was not previously identified as an in-scope asset as part of its PACS. The one virtual server monitored and controlled access for the Physical Security Perimeters (PSPs) at 29 different Critical Assets.

WECC determined that this violation posed a moderate and not serious or substantial risk to the reliability of the bulk power system (BPS). In the first instance, URE failed to ensure that administrative rights to a PACS were approved prior to being granted. The risk was partially reduced by the fact that the individual who received access prior to the requisite approval had a valid personnel risk assessment (PRA) and successfully received approved access within seven days. In the second instance, URE failed to include one virtual server within its PACS as required by CIP-006-3c, and therefore did not afford it all of the required protective measures. Nevertheless, if an unauthorized attempt to access the virtual server had occurred, URE had controls in place that would have generated an alert, and URE's incident response procedures would have started an investigation.

WECC determined the duration of the violation to be approximately 1,580 days, from the date when one employee was granted administrative rights to a PACS prior to obtaining proper approvals, through when URE completed its NERC CIP PACS security system upgrade, to include eight new hypervisors, and applied all applicable protective controls to the upgraded security system.

To mitigate this violation, URE:

1. finalized access approvals for one employee;
2. provided all applicable URE employees with cyber security training to reinforce the requirement to obtain proper approval prior to provisioning access to any Cyber Asset;
3. completed its NERC CIP PACS security system upgrade, to include eight new hypervisors, and applied all applicable protective controls to the upgraded security system; and
4. updated its procedures to include a process to regularly monitor and ask for compliance guidance from WECC for Reliability Standard interpretations.

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

⁵ URE personnel approved the access seven days after the improper granting of administrative rights.

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WECC2015015031 CIP-004-1 R3 - OVERVIEW

WECC determined that during an assessment of URE's PRA records, URE discovered a discrepancy between the social security number (SSN) and date of birth (DOB) listed for an individual with physical access to a URE PSP. Specifically, URE had conducted the initial PRA using an incorrect SSN and DOB. Because of this discrepancy, URE initiated a review of the records of all individuals with authorized electronic or unescorted physical access to Critical Cyber Assets (CCAs) since the enforceable date of CIP-004-1 R3. This review revealed 74 erroneous PRAs, 12 individuals who were granted CIP access without a validated PRA, and five individuals who had expired PRAs without CIP access being revoked.

WECC determined that this violation posed a moderate and not serious or substantial risk to the reliability of the BPS. URE's inadequate PRA procedures failed to ensure 91 individuals with authorized electronic or unescorted physical access to CCAs had completed a PRA as required by CIP-004-1—creating a potential vulnerability. The violation's risk was reduced because the individuals were otherwise authorized to have logical and/or unescorted physical access to CCAs. Moreover, the authorized individuals completed annual CIP training and were in good standing with URE.

WECC determined the duration of the violation to be approximately 2,193 days, from the date the Reliability Standard became mandatory and enforceable, through when URE completed the last renewal of the PRAs.

To mitigate this violation, URE revised its PRA and procedure document to address any employee contact information discrepancies or alias issues.

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 Agreements, WECC has assessed a penalty of two hundred and one thousand dollars (\$201,000) for the referenced violations. In reaching this determination, WECC considered the following factors:

1. WECC considered the instant violations as repeat noncompliance with the subject NERC Reliability Standards and determined the compliance history should serve as an aggravating factor;
2. URE had an internal compliance program (ICP) at the time of the violation. Nevertheless, WECC did not give credit for URE's ICP because WECC determined that if the ICP had been

implemented properly, URE would have been able to identify, assess, and correct these violations in a timely manner;

3. URE self-reported the violations; however, WECC did not apply self-reporting credit to the penalty amount because of the duration between URE's discovery and self-reporting of the violations;
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. the violations of WECC2015014909 and WECC2015015031 posed a moderate and not a serious or substantial risk to the reliability of the BPS;
7. WECC considered the duration of the violations as an aggravating factor; 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 two hundred and one thousand dollars (\$201,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁶

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,⁷ the NERC BOTCC reviewed the Settlement Agreements and supporting documentation on March 23, 2017 and approved the Settlement Agreements. In approving the Settlement Agreements, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violations at issue.

⁶ See 18 C.F.R. § 39.7(d)(4).

⁷ *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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For the foregoing reasons, the NERC BOTCC approved the Settlement Agreements and believes that the assessed penalty of two hundred and one thousand dollars (\$201,000) 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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Notices and Communications: Notices and communications with respect to this filing may be addressed to the following:

<p>Jim Robb* Chief Executive Officer Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6853 (801) 883-6894 – facsimile jrobb@wecc.biz</p> <p>Steve Goodwill* Vice President and General Counsel, Corporate Secretary Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 883-6857 (801) 883-6894 – facsimile sgoodwill@wecc.biz</p> <p>Ruben Arredondo* Senior Legal Counsel Western Electricity Coordinating Council 155 North 400 West, Suite 200 Salt Lake City, UT 84103 (801) 819-7674 (801) 883-6894 – facsimile rarredondo@wecc.biz</p>	<p>Sonia C. Mendonça* Vice President, Deputy General Counsel, and Director of Enforcement North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile sonia.mendonca@nerc.net</p> <p>Edwin G. Kichline* Senior Counsel and Director of Enforcement Oversight North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile edwin.kichline@nerc.net</p>
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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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