

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

November 5, 2010

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

**Re: NERC Abbreviated Notice of Penalty regarding Unidentified Registered Entity,
FERC Docket No. NP11-__-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Abbreviated Notice of Penalty (NOP) regarding Unidentified Registered Entity (URE), with information and details regarding the nature and resolution of the violations¹ discussed in detail in the Settlement Agreement (Attachment a) and the Disposition Document (Attachment b), 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

On August 6, 2009, URE self-reported to ReliabilityFirst Corporation (ReliabilityFirst) a violation of CIP-006-1 Requirement (R) 3.1 because it did not ensure that alarm systems on two (2) of its nineteen (19) physical security perimeter points immediately notify to responsible personnel when a door, gate or window opened without authorization. On August 11, 2009, URE self-reported a violation of VAR-002-1 R1 because on five occasions, it did not notify its Transmission Operator when the status of the automatic voltage regulator (AVR) at its power plant was changed from automatic voltage control to manual mode for routine testing.

This Notice of Penalty is being filed with the Commission because ReliabilityFirst and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from

¹ 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.

² *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 (2010). *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).

ReliabilityFirst’s determination and findings of the enforceable violations of CIP-006-1 R3.1 and VAR-002-1 R1. According to the Settlement Agreement, URE neither admits nor denies the violations, but has agreed to the assessed penalty of eight thousand dollars (\$8,000) 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 RFC200900163 and RFC200900164 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 April 12, 2010, by and between ReliabilityFirst and URE. The details of the findings and the basis for the penalty are set forth in the Disposition Documents. 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, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Total Penalty (\$)
ReliabilityFirst	Unidentified Registered Entity	NOC-538	RFC200900163	CIP-006-1	3.1	Medium ³	\$8,000
			RFC200900164	VAR-002-1 ⁴	1	Medium	

The text of the Reliability Standards at issue is set forth in the Disposition Documents.

CIP-006-1 R3.1 - OVERVIEW⁵

ReliabilityFirst determined that URE, as a Balancing Authority, did not have alarms on all of its secure access points that provided immediate notification to applicable personnel in the event of unauthorized access.

The duration of the CIP-006-1 R3.1 violation was from July 1, 2009, when the Standard became mandatory and enforceable for Table 1 entities, through July 21, 2009, the date URE removed the masking on the alarms of the two secured access points.⁶

³ CIP-006-1 R3 and R3.1 have Medium Violation Risk Factors (VRF) and R3.2 has a Lower VRF.

⁴ VAR-002-1 was enforceable from August 2, 2007 through August 27, 2008. VAR-002-1a was approved by the Commission and became enforceable on August 28, 2008. VAR-002-1.1a is the current enforceable Standard as of May 13, 2009. The subsequent interpretations provide clarity regarding the responsibilities of a registered entity and do not change the meaning or language of the original NERC Reliability Standard and its requirements. For consistency in this filing, the original NERC Reliability Standard, VAR-002-1, is used throughout.

⁵ Further information on this violation is contained in the Disposition Document included as Attachment b.

⁶ The Self-Report incorrectly states that the duration of the violation was from June 23, 2009 through July 21, 2009. URE later states that the mandatory compliance date of the standard is July 1, 2009.

ReliabilityFirst concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because, although the alarms on the access points were masked, they were functional and any unauthorized access would have been logged into the alarm system. Additionally, security settings on the server would have prevented an unauthorized person from logging onto the server.

VAR-002-1 R1 - OVERVIEW⁷

ReliabilityFirst determined that URE, as a Generator Operator, operated its AVR in manual voltage control mode on several occasions without notifying its Transmission Operator. Each of the instances occurred during routine functionality testing of the AVR at the power plant. The vintage electromechanical controls used on the power plant AVR require manual manipulation to ensure that problems do not arise from the controls remaining in the same position for extended periods of time.

The subject functionality tests are conducted weekly during off-peak hours and, on specified dates in 2008 and 2009, URE did not notify its Transmission Operator of the AVR status during tests conducted on generation units 1 and 2 at the power plant. Additionally, URE failed to notify its Transmission Operator of the AVR status during a test conducted on the power plant's generation unit 1 on another specified date.

The duration of the VAR-002-1 R1 violation was from January 1, 2008, the first instance that the status of the AVR at the power plant was changed from automatic voltage control mode for routine testing, through August 7, 2009, the date URE notified its Transmission Operator of the five events.

ReliabilityFirst concluded that this violation did not pose a serious or substantial risk to the reliability of the BPS because the instances where status of the AVR at power plant was changed from automatic voltage control mode were for routine testing during off-peak hours and URE was exercising control over the AVR during those instances. In addition, these instances were brief in duration, spanning from two (2) to six (6) minutes during off peak operating hours for a total of twenty-four (24) minutes. Additionally, generation units 1 and 2 comprise only 7% of generators owned by URE that are equipped with AVR, connected to the bulk electric system and larger than 20 MVA.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁸

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines, the Commission's July 3, 2008 and October 26, 2009 Guidance Orders,⁹ the NERC

⁷ Further information on this violation is contained in the Disposition Document included as Attachment b.

⁸ See 18 C.F.R. § 39.7(d)(4).

⁹ *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). See also *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

BOTCC reviewed the Settlement Agreement and supporting documentation on July 12, 2010. The NERC BOTCC approved the Settlement Agreement, including ReliabilityFirst's assessment of an eight thousand dollar (\$8,000) 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. the violations constituted URE's first occurrence of violation of the subject NERC Reliability Standards;
2. URE self-reported the violations;
3. ReliabilityFirst reported that URE was cooperative throughout the compliance enforcement process;
4. URE has a compliance program,¹⁰ as discussed in the Disposition Documents;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. the violations did not pose a serious or substantial risk to the BPS; and
7. ReliabilityFirst reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approves the Settlement Agreement and believes that the assessed penalty of eight thousand dollars (\$8,000) 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 Notice of Penalty include privileged and 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. Specifically, this includes non-public information related to certain Reliability Standard violations, certain Regional Entity investigative files, Registered Entity sensitive business and confidential information exempt from the mandatory public disclosure requirements of the Freedom of Information Act, 5 U.S.C. 552, and should be withheld from public disclosure.

¹⁰ ReliabilityFirst considered the referenced compliance program a mitigating factor in URE's penalty determination.

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 ReliabilityFirst and URE executed April 12, 2010, included as Attachment a;
 - i. URE's Mitigation Plan MIT-09-2051 for CIP-006-1 R3.1 and Certification of Completion therein submitted September 30, 2009, included as Attachment a to the Settlement Agreement;
 - ii. ReliabilityFirst's Verification of Completion of the Mitigation Plan for CIP-006-1 R3.1 dated January 28, 2010, included as Attachment b to the Settlement Agreement;
 - iii. URE's Mitigation Plan MIT-08-2092 for VAR-002-1 R1 and Certification of Completion therein submitted September 30, 2009, included as Attachment c to the Settlement Agreement;
 - iv. ReliabilityFirst's Verification of Completion of the Mitigation Plan for VAR-002-1 R1 dated December 14, 2009, included as Attachment d to the Settlement Agreement;
 - v. URE's Self-Report for CIP-006-1 R3.1 dated August 6, 2009, included as Attachment e to the Settlement Agreement; and
 - vi. URE's Self-Report for VAR-002-1 R1 dated August 11, 2009, included as Attachment f to the Settlement Agreement;
- b) Disposition Document for Common Information dated July 12, 2010, included as Attachment b:
 - i. Disposition Document for CIP-006-1 R3.1, included as Attachment b-1; and
 - ii. Disposition Document for VAR-002-1 R1, included as Attachment b-2.

A Form of Notice Suitable for Publication¹¹

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

¹¹ See 18 C.F.R. § 39.7(d)(6).

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 David N. Cook* Sr. Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, NJ 08540-5721 (609) 452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>Robert K. Wargo* Manager of Compliance Enforcement ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile bob.wargo@rfirst.org</p> <p>Megan E. Gambrel* Associate Attorney ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile megan.gambrel@rfirst.org</p>	<p>Rebecca J. Michael* Assistant General Counsel Davis Smith* Attorney North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, DC 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net davis.smith@nerc.net</p> <p>Timothy R. Gallagher* President & CEO ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5390 – facsimile tim.gallagher@rfirst.org</p> <p>Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 300 Akron, Ohio 44333 (330) 456-2488 (330) 456-5408 – facsimile ray.palmieri@rfirst.org</p> <p>*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.</p>
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Unidentified Registered Entity
November 5, 2010
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PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

Conclusion

Accordingly, NERC respectfully requests that the Commission accept this Abbreviated NOP as compliant with its rules, regulations and orders.

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Sr. Vice President and General Counsel
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cc: Unidentified Registered Entity
ReliabilityFirst Corporation

Attachments

Attachment b

Disposition Document for Common Information dated July 12, 2010

DISPOSITION OF VIOLATION¹
INFORMATION COMMON TO INSTANT VIOLATIONS
Dated July 12, 2010

REGISTERED ENTITY Unidentified Registered Entity (URE)	NERC REGISTRY ID NCRXXXX	NOC# NOC-538
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REGIONAL ENTITY
ReliabilityFirst Corporation (ReliabilityFirst)

IS THERE A SETTLEMENT AGREEMENT YES NO

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY)	YES	<input checked="" type="checkbox"/>
ADMITS TO IT	YES	<input type="checkbox"/>
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS)	YES	<input type="checkbox"/>

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT YES

I. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF **\$8,000** FOR **TWO** VIOLATIONS OF RELIABILITY STANDARDS

(1) REGISTERED ENTITY'S COMPLIANCE HISTORY

PRIOR VIOLATIONS OF ANY OF THE INSTANT RELIABILITY STANDARD(S) OR REQUIREMENT(S) THEREUNDER
YES NO

LIST ANY CONFIRMED OR SETTLED VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

¹ For purposes of this document and attachments hereto, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

PRIOR VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR
REQUIREMENTS THEREUNDER

YES NO

LIST ANY PRIOR CONFIRMED OR SETTLED VIOLATIONS AND
STATUS

ADDITIONAL COMMENTS

(2) THE DEGREE AND QUALITY OF COOPERATION BY THE REGISTERED
ENTITY (IF THE RESPONSE TO FULL COOPERATION IS “NO,” THE
ABBREVIATED NOP FORM MAY NOT BE USED)

FULL COOPERATION YES NO
IF NO, EXPLAIN

(3) THE PRESENCE AND QUALITY OF THE REGISTERED ENTITY’S
COMPLIANCE PROGRAM

IS THERE A DOCUMENTED COMPLIANCE PROGRAM
YES NO
EXPLAIN

URE annually conducts audits of specific requirements identified through an internal risk assessment of all requirements. The structure of the compliance program designates the certifying executive ultimately responsible for ensuring that all employees within their area of responsibility understand and comply with all applicable standards and requirements. Within the database structure, various individual roles are designed to include a “checks and balances” system so that there are layers of approval of compliance activities. The training program includes a discussion of this process. The compliance program also includes formal procedures to review and report suspected non-compliance.²

EXPLAIN SENIOR MANAGEMENT’S ROLE AND INVOLVEMENT WITH RESPECT TO THE REGISTERED ENTITY’S COMPLIANCE PROGRAM, INCLUDING WHETHER SENIOR MANAGEMENT TAKES ACTIONS THAT SUPPORT THE COMPLIANCE PROGRAM, SUCH AS TRAINING, COMPLIANCE AS A FACTOR IN EMPLOYEE EVALUATIONS, OR OTHERWISE.

² ReliabilityFirst considered the referenced compliance program a mitigating factor in URE’s penalty determination.

Senior management employees hold the roles of compliance coordinators and certifying executives in the compliance program. These senior and executive managers approve policies, procedures, self certifications and data submittals pertinent to their respective areas.

(4) ANY ATTEMPT BY THE REGISTERED ENTITY TO CONCEAL THE VIOLATION(S) OR INFORMATION NEEDED TO REVIEW, EVALUATE OR INVESTIGATE THE VIOLATION.

YES NO
IF YES, EXPLAIN

(5) ANY EVIDENCE THE VIOLATION(S) WERE INTENTIONAL (IF THE RESPONSE IS "YES," THE ABBREVIATED NOP FORM MAY NOT BE USED.)

YES NO
IF YES, EXPLAIN

(6) ANY OTHER MITIGATING FACTORS FOR CONSIDERATION

YES NO
IF YES, EXPLAIN

(7) ANY OTHER AGGRAVATING FACTORS FOR CONSIDERATION

YES NO
IF YES, EXPLAIN

(8) ANY OTHER EXTENUATING CIRCUMSTANCES

YES NO
IF YES, EXPLAIN

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR
SANCTION ISSUED

DATE: OR N/A

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **3/5/2010** OR N/A

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: OR N/A

SUPPLEMENTAL RECORD INFORMATION

DATE(S) OR N/A

REGISTERED ENTITY RESPONSE CONTESTED

FINDINGS PENALTY BOTH NO CONTEST

HEARING REQUESTED

YES NO

DATE

OUTCOME

APPEAL REQUESTED

Disposition Document for CIP-006-1 R3.1

DISPOSITION OF VIOLATION

Dated July 12, 2010

NERC TRACKING REGIONAL ENTITY TRACKING
NO. NO.
RFC200900163 RFC200900163

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
CIP-006-1	3¹	3.1	Medium²	Moderate

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
X														

PURPOSE OF THE RELIABILITY STANDARD AND TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

The purpose statement of CIP-006-1 provides in pertinent part: “Standard CIP-006 is intended to ensure the implementation of a physical security program for the protection of Critical Cyber Assets. Standard CIP-006 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009.”

CIP-006-1 Requirement 3 (R3) provides:

R3. Monitoring Physical Access — The Responsible Entity shall document and implement the technical and procedural controls for monitoring physical access at all access points to the Physical Security Perimeter(s) twenty-four hours a day, seven days a week. Unauthorized access attempts shall be reviewed immediately and handled in accordance with the procedures specified in Requirement CIP-008. One or more of the following monitoring methods shall be used:

R3.1. Alarm Systems: Systems that alarm to indicate a door, gate or window has been opened without authorization. These alarms must provide for immediate notification to personnel responsible for response.

R3.2. Human Observation of Access Points: Monitoring of physical access points by authorized personnel as specified in Requirement

¹ Unidentified Registered Entity (URE) did not employ Human Observation of Access Points (R3.2). URE had video surveillance, but it is not continuously monitored by a person and is only used to assess the cause of intrusion alarms.

² CIP-006-1 R3 and R3.1 have Medium Violation Risk Factors (VRF) and R3.2 has a Lower VRF.

VIOLATION DESCRIPTION

On August 6, 2009, Unidentified Registered Entity (URE) self-reported a violation of CIP-006-1 R3.1 after it identified two (2) instances where the alarms on two (2) physical security perimeter (PSP) access points at one of its facilities were masked³ during construction such that unauthorized access would be logged into the alarm system, but no notification would be sent to the appropriate security personnel. The first instance of masking occurred at the entrance point to a server room. On Monday, July 20, 2009, an alarm operator monitored an alarm on the door to “Secured Perimeter No 1” This is a card reader controlled door and the door is the only entrance to the room. The operator investigated the cause of the alarm by reviewing remote video footage for the door and found there had been no motion at the door. On July 21, 2009, a service technician examined the intrusion detection device for the door.⁴ In addition, corporate security determined that the output from the intrusion detection device for the door was masked within the access control and alarm system application.

The second instance of masking occurred at the entrance point to a telephone room. Corporate security examined all other alarm points during the investigation of masking on “Secured Perimeter No. 1.” Corporate security determined there was one other alarm point that was masked. The alarm point to “Secured Perimeter No. 2” was functional, but was masked during construction prior to the telephone room becoming an asset subject to NERC Reliability Standards. An operator log report for the telephone room indicates that the alarm was masked by the alarm operator on December 10, 2008 at 9:29:28 pm prior to the date the room was commissioned as a secure access point.

Corporate security at URE reviewed the history of the card swipes and alarm events on the two (2) PSPs from June 23, 2009, when the rooms were first commissioned as NERC assets, through July 20, 2009. Corporate security compared the event history to the recorded video footage of the doors, and reviewed all twenty-eight (28) days of video history. Corporate security found no visual evidence of unauthorized entry to the rooms. URE

³ Masking means that if there were an actual forced entry or a door held open beyond its shunt time of sixty (60) seconds (the time in seconds that a door-open alarm is suppressed after the door has been opened), no alarm would be transmitted to URE’s alarm station.

⁴ Initially, corporate security examined the device and found that the device’s magnet was missing from the door. The service technician attached a magnet to the door and verified proper operation. The missing magnet caused the alarm to sound, even though the alarm had been masked at the time of construction. URE then consulted with the security alarm manufacturer application expert regarding how the alarm sounded in response to the missing magnet despite the fact that it had been masked. The expert replicated in his lab the hardware and software environment in which the event occurred and tested for the anomaly. The expert’s testing failed to elicit the same anomaly and recommended that new hardware be installed. The expert concluded that the two-door module was failing and the unexplained revelation of an alarm, despite masking, could be explained by the failure. URE replaced the module as recommended by the expert which proved to be a sufficient remedy.

concluded that there was no evidence of tampering with the configuration of the Cyber Assets and that the integrity of the Cyber Assets protected by the PSPs was maintained.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

ReliabilityFirst concluded that this violation did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because, although the alarms on the access points were masked, they were functional and any unauthorized access would have been logged into the alarm system. Additionally, security settings on the server would have prevented an unauthorized person from logging onto the server.

II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

- SELF-REPORT
- SELF-CERTIFICATION
- COMPLIANCE AUDIT
- COMPLIANCE VIOLATION INVESTIGATION
- SPOT CHECK
- COMPLAINT
- PERIODIC DATA SUBMITTAL
- EXCEPTION REPORTING

DURATION DATE(S) From July 1, 2009, when the Standard became mandatory and enforceable for Table 1 entities, until July 21, 2009, when URE removed the masking from the two (2) PSP points.⁵

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY 8/6/2009⁶

IS THE VIOLATION STILL OCCURRING
YES NO
IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES NO
PRE TO POST JUNE 18, 2007 VIOLATION YES NO

⁵ The Self-Report incorrectly states that the duration of the violation was from June 23, 2009 through July 21, 2009.

⁶ The Mitigation Plan incorrectly states that the violation was self-reported on August 7, 2009.

III. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-09-2051**
DATE SUBMITTED TO REGIONAL ENTITY **9/30/2009⁷**
DATE ACCEPTED BY REGIONAL ENTITY **10/9/2009**
DATE APPROVED BY NERC **10/20/2009**
DATE PROVIDED TO FERC **10/20/2009**

IDENTIFY AND EXPLAIN ALL PRIOR VERSIONS THAT WERE ACCEPTED OR REJECTED, IF APPLICABLE

N/A

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE **9/24/2009**
EXTENSIONS GRANTED **N/A**
ACTUAL COMPLETION DATE **9/24/2009**

DATE OF CERTIFICATION LETTER **9/30/2009**
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **9/24/2009**

DATE OF VERIFICATION LETTER **1/28/2010⁸**
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **9/24/2009**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

- 1. removed the masking on Perimeter 1 and 2 – completed July 21, 2009;**
- 2. inspected the doors to the PSPs – completed July 21, 2009;**
- 3. Corporate security reviewed the video record of all activity at the two (2) doors for the entire period during which the alarms were masked – completed July 21, 2009;**
- 4. Corporate security created a tool in the electronic access control system application that allows the alarm officers to readily inspect whether any alarm monitoring access to a PSP is masked – completed July 21, 2009;**
- 5. Customer operations determined that the functions provided by the Cyber Assets protected in the PSPs had been running uninterrupted from the time of commissioning on June 23, 2009⁹ through the date the masking was discovered – completed July 26, 2009;**

⁷ The Mitigation Plan was signed on September 28, 2009.

⁸ The Verification of Completion letter incorrectly states that the URE certified completion of the Mitigation Plan on October 20, 2009.

⁹ The Settlement Agreement incorrectly states June 24, 2009.

6. **An operations manual for corporate security staff was modified to incorporate the requirement that when commissioning new access control devices that protect a PSP, a corporate security staff member will perform acceptance testing of the devices to ensure reliable operation and will ensure appropriate values for any user-configured settings – completed August 31, 2009;**
7. **CIP Compliance document, which corporate security follows in implementing CIP-006-01, was revised to include reference to the alarm orders document and subordinate all the controlling documents – completed September 11, 2009;**
8. **revised alarm orders document was issued to prohibit alarm officers from masking any PSP alarm without explicit consent from corporate security staff – completed September 24, 2009;**
9. **alarm officers were trained on updated alarm orders document – completed September 24, 2009; and**
10. **training in the revisions to all documents mentioned in the Mitigation Plan was provided to corporate security staff – completed September 24, 2009.**

LIST OF EVIDENCE REVIEWED BY REGIONAL ENTITY TO EVALUATE COMPLETION OF MITIGATION PLAN OR MILESTONES (FOR CASES IN WHICH MITIGATION IS NOT YET COMPLETED, LIST EVIDENCE REVIEWED FOR COMPLETED MILESTONES)

ReliabilityFirst reviewed URE's Mitigation Plan¹⁰ in addition to the following evidence provided by URE:

1. **its operations manual;**
2. **its security officer's alarm orders document;**
3. **its alarm officer training curriculum;**
4. **alarm officer training meeting agenda and signoff document; and**
5. **NERC Standard CIP-006-1 compliance documentation, which included a reference to the security officer's alarm orders document.**

¹⁰ The Mitigation Plan was reviewed as evidence because it documented the removal of the door alarm masks, described the investigations and documented the creation of the tool.

EXHIBITS:

SOURCE DOCUMENT

URE's Self-Report dated August 6, 2009

MITIGATION PLAN & CERTIFICATION OF COMPLETION

**URE's Mitigation Plan and Certification of Completion submitted
September 30, 2009**

VERIFICATION OF COMPLETION

ReliabilityFirst's Verification of Completion submitted January 28, 2010

Disposition Document for VAR-002-1 R1

DISPOSITION OF VIOLATION

Dated July 12, 2010

NERC TRACKING NO.	REGIONAL ENTITY TRACKING NO.
RFC200900164	RFC200900164

I. VIOLATION INFORMATION

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRF(S)	VSL(S)
VAR-002-1¹	1		Medium	Lower

VIOLATION APPLIES TO THE FOLLOWING FUNCTIONS:

BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
			X											

PURPOSE OF THE RELIABILITY STANDARD AND TEXT OF RELIABILITY STANDARD AND REQUIREMENT(S)/SUB-REQUIREMENT(S)

The purpose of VAR-002-1 provides: “To ensure generators provide reactive and voltage control necessary to ensure voltage levels, reactive flows, and reactive resources are maintained within applicable Facility Ratings to protect equipment and the reliable operation of the Interconnection.”

VAR-002-1 Requirement 1 (R1) provides: “The Generator Operator shall operate each generator connected to the interconnected transmission system in the automatic voltage control mode (automatic voltage regulator in service and controlling voltage) unless the Generator Operator has notified the Transmission Operator.”

VIOLATION DESCRIPTION

On August 11, 2009, Unidentified Registered Entity (URE) self-reported a violation of VAR-002-1 R1 because, on several occasions, it did not have evidence verifying that it had notified its Transmission Operator (TOP) when

¹ VAR-002-1 was enforceable from August 2, 2007 through August 27, 2008. VAR-002-1a was approved by the Commission and became enforceable on August 28, 2008. VAR-002-1.1a is the current enforceable Standard as of May 13, 2009. The subsequent interpretations provide clarity regarding the responsibilities of a registered entity and do not change the meaning or language of the original NERC Reliability Standard and its requirements. For consistency in this filing, the original NERC Reliability Standard, VAR-002-1, is used throughout.

the status of its automatic voltage regulator (AVR) was changed during routine testing.²

To regulate its voltage, URE’s power plant uses vintage electromechanical controls that periodically require manual exercise to ensure that no problems result from the controls remaining in the same position for extended periods of time. In order to ensure the reliable operation of the controls, the power plant created a weekly functionality test in which the controls are manually exercised during off-peak hours. URE discovered that it did not notify its TOP when the AVR status was changed during the aforementioned functionality tests conducted on five specified dates in 2008 and 2009. Upon discovery, URE notified its TOP on August 7, 2009 of the five instances.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

ReliabilityFirst determined that the alleged violation of VAR-002-1 R1 did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because the instances where the status of the AVR at the power plant was changed from automatic voltage control mode were for routine testing during off-peak hours and URE was exercising control over the AVR during those instances. In addition, these instances were brief in duration, spanning from two (2) to six (6) minutes during off peak operating hours for a total of twenty-four (24) minutes. Additionally, generation units 1 and 2 comprise only 7% of the generators owned by URE that are equipped with AVR, connected to the bulk electric system and larger than 20 MVA.

II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

- SELF-REPORT
- SELF-CERTIFICATION
- COMPLIANCE AUDIT
- COMPLIANCE VIOLATION INVESTIGATION
- SPOT CHECK
- COMPLAINT
- PERIODIC DATA SUBMITTAL
- EXCEPTION REPORTING

DURATION DATE(S) The duration of the violation was from January 1, 2008, the date of the first event, through August 7, 2009, the date URE notified its TOP of the five events.

² In the Self-Report, URE also reported a violation of VAR-002-1 R3. ReliabilityFirst dismissed the violation of VAR-002-1 R3 on October 30, 2009 because the violation stemmed from the same act of non-compliance as VAR-002-1 R1 and was mitigated through the mitigation actions included in the Mitigation Plan for VAR-002-1 R1.

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **8/11/2009**

IS THE VIOLATION STILL OCCURRING

YES NO

IF YES, EXPLAIN

REMEDIAL ACTION DIRECTIVE ISSUED YES NO
PRE TO POST JUNE 18, 2007 VIOLATION YES NO

III. MITIGATION INFORMATION

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-08-2092**

DATE SUBMITTED TO REGIONAL ENTITY **9/30/2009³**

DATE ACCEPTED BY REGIONAL ENTITY **10/19/2009**

DATE APPROVED BY NERC **11/3/2009**

DATE PROVIDED TO FERC **11/3/2009**

IDENTIFY AND EXPLAIN ALL PRIOR VERSIONS THAT WERE ACCEPTED OR REJECTED, IF APPLICABLE

N/A

MITIGATION PLAN COMPLETED YES NO

EXPECTED COMPLETION DATE **9/24/2009**

EXTENSIONS GRANTED **N/A**

ACTUAL COMPLETION DATE **9/24/2009**

DATE OF CERTIFICATION LETTER **9/30/2009**

CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF **9/24/2009**

DATE OF VERIFICATION LETTER **12/14/2009⁴**

VERIFIED COMPLETE BY REGIONAL ENTITY AS OF **9/24/2009**

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

- 1. e-mail sent to the power system supervisors addressing the responsibility to report AVR status changes to URE's TOP, and clarifying the requirement to report "after the fact" status changes of the AVR;**

³ The Mitigation Plan was signed on September 28, 2009.

⁴ The Verification of Completion incorrectly states that URE certified completion of its Mitigation Plan on November 9, 2009. Additionally, the Verification of Completion incorrectly states that NERC approved the Mitigation Plan on October 20, 2009.

2. e-mail sent to URE's TOP, reporting the five incidents of AVR tests that occurred at the power plant for which URE has no evidence that notification occurred;
3. a compliance review document revised to include language regarding notification of all changes in the AVR and PSS status;
4. the Supervisors reviewed and acknowledged in writing their understanding of the applicable standard requirements and specific instructions as detailed in the compliance review regarding AVR reporting responsibilities. This included clarification of the need for "after the fact" reporting; and
5. the power system supervisor addressed AVR reporting requirements and the VAR Standards at the operations team meeting.

LIST OF EVIDENCE REVIEWED BY REGIONAL ENTITY TO EVALUATE COMPLETION OF MITIGATION PLAN OR MILESTONES (FOR CASES IN WHICH MITIGATION IS NOT YET COMPLETED, LIST EVIDENCE REVIEWED FOR COMPLETED MILESTONES)

URE provided:

1. its procedure was updated to include text that spelled out details requiring the URE operators to make notifications to the system operator and/or the TOP as required by the Standard;
2. an e-mail communication to the power system supervisors addressing its responsibility to report the AVR and PSS changes as required by the Standard that are to be made to the TOP within 15 minutes of a status change;
3. an additional e-mail to URE's TOP, reporting the five incidents of AVR tests that occurred at the power plant. This e-mail was supplied to provide evidence that the new procedure that URE put in place was being followed;
4. a document each of the power system supervisors reviewed and acknowledged in writing their understanding of the applicable standard requirements and specific instructions regarding AVR reporting responsibilities. This included clarification of the need for "after the fact" reporting; and
5. an attendance sheet and training agenda, as proof that the power system supervisor addressed AVR reporting requirements and the VAR Standards at the operations team meeting.

EXHIBITS:

SOURCE DOCUMENT

URE's Self-Report dated August 11, 2009

MITIGATION PLAN & CERTIFICATION OF COMPLETION

URE's Mitigation Plan and Certification of Completion submitted September 30, 2009

VERTIFICATION OF COMPLETION

ReliabilityFirst's Verification of Completion submitted December 14, 2009