



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

PRIVILEGED AND CONFIDENTIAL INFORMATION
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

March 30, 2011

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

This NOP is being filed with the Commission because SERC Reliability Corporation (SERC) and URE have entered into a Settlement Agreement to resolve all outstanding issues arising from SERC's determination and findings of the enforceable violations of CIP-004-1 Requirement (R) 2.3 and R2.1. According to the Settlement Agreement, URE neither admits nor denies the CIP-004-1 R2.3 violation, but admits the CIP-004-1 R2.1 violation and has agreed to the assessed penalty of five thousand dollars (\$5,000), 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

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).

Identification Numbers SERC200900299 and SERC200900303 are being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violations

This NOP incorporates the findings and justifications set forth in the Settlement Agreement executed on March 23, 2011, by and between SERC and URE. The details of the findings and the basis for the penalty are set forth in the Disposition Document. This NOP 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.

| NOC ID | NERC Violation ID | Reliability Std. | Req. (R) | VRF | Duration | Total Penalty (\$) |
|---------------|--------------------------|-------------------------|-----------------|--------------------|-----------------------------|---------------------------|
| NOC-664 | SERC200900299 | CIP-004-1 | 2.3 | Lower ³ | 7/1/08-6/18/09 ⁴ | 5,000 |
| | SERC200900303 | CIP-004-1 | 2.1 | Medium | 9/30/08-5/26/09 | |

The text of the Reliability Standards at issue and further information on the subject violations are set forth in the Disposition Document.

CIP-004-1 R2.3 – OVERVIEW⁵

During a spot-check, it was discovered that URE's training records indicated that at least one employee with cyber access prior to July 1, 2008, did not complete annual cyber security training within the required timeframe contained in URE's cyber security training procedures. SERC determined that URE did not conduct required cyber security training for personnel with authorized cyber or authorized unescorted physical access to URE's Critical Cyber Assets for more than 12 months after the previous training had been conducted, in accordance with the subject Standard's requirement.

CIP-004-1 R2.1 – OVERVIEW

On August 17, 2009, URE filed a Self-Report explaining that, while conducting an internal review of its CIP training records, it discovered that one employee who had been given unescorted physical access to a Critical Cyber Asset within its physical security perimeter did not receive cyber security training within 90 days of the access being granted. SERC determined

³ When NERC filed Violation Risk Factors (VRFs) it originally assigned CIP-004-1 R2.1, R2.2 and R2.2.4 "Lower" VRFs. The Commission approved the VRFs as filed; however, it directed NERC to submit modifications. NERC submitted the modified "Medium" VRFs and on January 27, 2009, the Commission approved the modified "Medium" VRFs. Therefore, the "Lower" VRFs for CIP-004-1 R2.1, R2.2 and R2.2.4 were in effect from June 18, 2007 until January 27, 2009 when the "Medium" VRFs became effective. CIP-004-1 R2, R2.2.1, R2.2.2 and R2.3 have "Lower" VRFs.

⁴ The spot check screener worksheet states that training was complete on June 16, 2009 and URE's Mitigation Plan states that training was completed on June 16, 2009. However, SERC staff confirmed that the last date training was conducted was June 18, 2009.

⁵ The Mitigation Plan incorrectly states that the violation date was May 2008.

that URE did not train one employee within 90 days of being granted access to Critical Cyber Assets in accordance with the subject Standard's requirement.

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, the Commission's July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,⁷ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on December 10, 2010. The NERC BOTCC approved the Settlement Agreement, including SERC's assessment of a five thousand dollar (\$5,000) 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;⁸
2. URE self-reported the violation of CIP-004-1 R2.1;
3. SERC reported that URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program at the time of the violation which SERC considered a neutral factor, as discussed in the Disposition Document;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. SERC determined that the violations posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS), as discussed in the Disposition Document; and
7. SERC 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 five thousand dollars (\$5,000) is appropriate for the violations and

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).

⁸ Although these violations have separate violation IDs, SERC considered these violations to be two instances of a single violation in determining the penalty. These violations are of the same standard requirement and occurred at the same time. Nevertheless, SERC assigned two violation IDs because of the different discovery methods.

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 NOP 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 NOP are the following documents:

- a) Settlement Agreement by and between SERC and URE executed March 30, 2011, included as Attachment a;
 - i. Disposition Document and Verification of Mitigation Plan Completions therein included as Attachment A to the Settlement Agreement;
- b) Record Documents for CIP-004-1 R2.3, included as Attachment b;
 - i. SERC's CIP Spot-Check Screening Worksheet;
 - ii. URE's Mitigation Plan designated MIT-08-2433 dated August 13, 2009;
 - iii. URE's Certification of Mitigation Plan Completion dated April 8, 2010;
- c) Record Documents for CIP-004-1 R2.1, included as Attachment c;
 - i. URE's Self-Report for CIP-004-1 R2.1 dated August 17, 2009;
 - ii. URE's Mitigation Plan designated MIT-08-2476 dated April 5, 2010; and
 - iii. URE's Certification of Mitigation Plan Completion dated April 8, 2010.

A Form of Notice Suitable for Publication⁹

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

⁹ 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 david.cook@nerc.net</p> <p>Kenneth B. Keels, Jr.* Director of Compliance Andrea Koch* Manager, Compliance Enforcement and Mitigation SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8214 (704) 357-7914 – facsimile kkeels@serc1.org akoch@serc1.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> | <p>Rebecca J. Michael* Associate General Counsel for Corporate and Regulatory Matters 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>R. Scott Henry* President and CEO SERC Reliability Corporation 2815 Coliseum Centre Drive Charlotte, NC 28217 (704) 940-8202 (704) 357-7914 – facsimile shenry@serc1.org</p> <p>Marisa A. Sifontes* General Counsel SERC Reliability Corporation 2815 Coliseum Centre Drive, Suite 500 Charlotte, NC 28217 (704) 494-7775 (704) 357-7914 – facsimile msifontes@serc1.org</p> |
|--|---|



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
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David N. Cook
Sr. Vice President and General Counsel
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/s/ Rebecca J. Michael
Rebecca J. Michael
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cc: Unidentified Registered Entity
SERC Reliability Corporation

Attachments



Disposition Document and Verification of Mitigation Plan Completions therein

DISPOSITION OF VIOLATION¹

Dated March 23, 2011

| | | |
|----------------------|------------------------------|---------|
| NERC TRACKING NO. | REGIONAL ENTITY TRACKING NO. | NOC# |
| SERC200900299 | 09-059 | NOC-664 |
| SERC200900303 | 09-063 | |

| | |
|--|--------------------------------------|
| REGISTERED ENTITY Unidentified Registered Entity (URE) | NERC REGISTRY ID NCRXXXXXX |
|--|--------------------------------------|

REGIONAL ENTITY (IES)
SERC Reliability Corporation (SERC)

I. VIOLATION INFORMATION

| RELIABILITY STANDARD | REQUIREMENT(S) | SUB-REQUIREMENT(S) | VRF *(S) | VSL**(S) |
|----------------------|----------------|--------------------|--------------------------|------------------------|
| CIP-004-1 | 2 | 2.3 | Lower² | N/A³ |
| CIP-004-1 | 2 | 2.1 | Medium | N/A⁴ |

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

The purpose of NERC 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

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.

² When NERC filed Violation Risk Factors (VRFs) it originally assigned CIP-004-1 R2.1, R2.2 and R2.2.4 “Lower” VRFs. The Commission approved the VRFs as filed; however, it directed NERC to submit modifications. NERC submitted the modified “Medium” VRFs and on January 27, 2009, the Commission approved the modified “Medium” VRFs. Therefore, the “Lower” VRFs for CIP-004-1 R2.1, R2.2 and R2.2.4 were in effect from June 18, 2007 until January 27, 2009 when the “Medium” VRFs became effective. CIP-004-1 R2, R2.2.1, R2.2.2 and R2.3 have “Lower” VRFs.

³ At the time of the violation, no VSLs were in effect for CIP-004-1. On June 30, 2009, NERC submitted VSLs for the CIP-002-1 through CIP-009-1 Reliability Standards. On March 18, 2010, the Commission approved the VSLs as filed, but directed NERC to submit modifications.

⁴ *Id.*

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 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.

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.

VIOLATION DESCRIPTION

NERC Reliability Standard CIP-004-1, R2.3 (09-059)

During a spot-check of URE, SERC identified a possible violation of CIP-004-1, R2.3. The spot-check team found that URE's training records indicated that at least one employee with cyber access prior to July 1, 2008 did not complete annual cyber security training within the required timeframe contained in URE's cyber security training procedures.

SERC Compliance Enforcement staff reviewed URE's procedure for compliance with CIP-004-1, as well as its training lists and found that URE had conducted initial cyber security training covering all requirements of CIP-004-1 R2.2, for its existing employees in May 2007, in accordance with the standard. However, URE did not complete its next cyber security training for 117 employees with access to Critical Cyber Assets until June 2009,

more than 24 months from the date cyber security training was last conducted and thus did not satisfy the requirement in CIP-004-1, R2.3 that training be conducted at least annually.⁵

As a result of its assessment, SERC Compliance Enforcement staff concluded that the facts and evidence supported a finding that URE violated CIP-004-1, R2.3 because the evidence reviewed showed that URE had not conducted required annual cyber security training for personnel with authorized cyber or authorized unescorted physical access to URE's Critical Cyber Assets in violation of CIP-004-1, R 2.3.⁶

NERC Reliability Standard CIP-004-1 R2.1 (09-063)

On August 17, 2009, URE filed a self-report explaining that while conducting an internal review of its CIP training records, it discovered that one employee who had been given unescorted physical access to a critical cyber asset physical security perimeter did not receive cyber security training within 90 days of the access being granted. Access for this employee had been granted on March 4, 2008, but the employee was not trained until May 26, 2009, as part of the annual training program.

As a result of its assessment, SERC Compliance Enforcement staff concluded that the facts and evidence supported a finding that URE violated CIP-004-1, R2.1 because the evidence reviewed showed that URE did not train one employee within 90 days of being granted access to Critical Cyber Assets in violation of CIP-004-1, R2.1.

URE is a Table 1 entity and was required to be at the "Compliant" stage for CIP-004-1, R2.1 as of July 1, 2008, pursuant to the CIP Implementation Plan.

RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

SERC finds that the violation of R2.3 posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system because:

- 1. Required cyber security training of all existing employees of URE was initially conducted in May 2007 and again on June 2009;**
- 2. Other than the employee involved in the violation of R2.1, all new employees received the required cyber security training within 90 days of receiving access to Critical Cyber Assets;**

⁵ The spot check screener worksheet states that training was complete on June 16, 2009 and URE's Mitigation Plan states that training was completed on June 16, 2009. However, SERC staff confirmed that the last date training was conducted was June 18, 2009.

⁶ The Mitigation Plan incorrectly states that the violation date is May 2008.

3. Other than the employee involved in the violation of R2.1, all personnel having authorized cyber or authorized unescorted physical access to URE's Critical Cyber Assets had received cyber security training at least once; and
4. During the 24 month period when annual training was not conducted, no incidents resulting from a lack of cyber security training are known to have occurred at URE's facilities.

SERC finds that the violation of R2.1 posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system because:

1. The employee in question was never left alone within the physical security boundary as that area is manned 24 hours per day, 7 days per week;
2. The employee had only physical access to critical assets and did not have electronic access rights to Critical Cyber Assets;
3. Prior to access being granted, a personnel risk assessment was performed on the employee with no cause for concern; and
4. The employee in question has been employed by URE since June 7, 1999 (9 years prior to access being granted).

IS THERE A SETTLEMENT AGREEMENT YES NO

WITH RESPECT TO THE ALLEGED/CONFIRMED VIOLATION, REGISTERED ENTITY

| | | |
|--|------------|-------------------------------------|
| NEITHER ADMITS NOR DENIES (SETTLEMENT ONLY) | YES (R2.3) | <input checked="" type="checkbox"/> |
| ADMITS TO IT | YES (R2.1) | <input checked="" type="checkbox"/> |
| DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS) | YES | <input type="checkbox"/> |

WITH RESPECT TO THE PROPOSED PENALTY OR SANCTION, REGISTERED ENTITY

| | | |
|--|-----|-------------------------------------|
| ACCEPTS IT | YES | <input checked="" type="checkbox"/> |
| DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS) | YES | <input type="checkbox"/> |

II. DISCOVERY INFORMATION

METHOD OF DISCOVERY

- | | |
|------------------------------------|-------------------------------------|
| SELF-REPORT (R2.1) | <input checked="" type="checkbox"/> |
| SELF-CERTIFICATION | <input type="checkbox"/> |
| COMPLIANCE AUDIT | <input type="checkbox"/> |
| COMPLIANCE VIOLATION INVESTIGATION | <input type="checkbox"/> |
| SPOT CHECK (R2.3) | <input checked="" type="checkbox"/> |
| COMPLAINT | <input type="checkbox"/> |
| PERIODIC DATA SUBMITTAL | <input type="checkbox"/> |
| EXCEPTION REPORTING | <input type="checkbox"/> |

DURATION DATE(S)

CIP-004-1, R2.3 – 7/1/08 through 6/18/09 (Mitigation Plan completion)

CIP-004-1, R2.1 – 9/30/08 through 5/26/09 (Mitigation Plan completion)

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY

–2009 CIP spot-check team finding of CIP-004-1, R2.3 violation

8/17/09 – self-report of CIP-004-1, R2.1 violation

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

CIP-004-1 R2.3 violation

FOR FINAL ACCEPTED MITIGATION PLAN:

| | |
|-----------------------------------|--------------------|
| MITIGATION PLAN NO. | MIT-08-2433 |
| DATE SUBMITTED TO REGIONAL ENTITY | 8/13/09 |
| DATE ACCEPTED BY REGIONAL ENTITY | 3/31/10 |
| DATE APPROVED BY NERC | 4/16/10 |
| DATE PROVIDED TO FERC | 4/16/10 |

IDENTIFY AND EXPLAIN VERSIONS THAT WERE REJECTED

N/A

MITIGATION PLAN COMPLETED YES NO

| | |
|---|----------------------|
| EXPECTED COMPLETION DATE | 6/18/09 ⁷ |
| EXTENSIONS GRANTED | N/A |
| ACTUAL COMPLETION DATE | 6/18/09 |
| DATE OF CERTIFICATION LETTER | 4/8/10 |
| CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF | 6/18/09 |
| DATE OF VERIFICATION ⁸ | 4/8/10 |
| VERIFIED COMPLETE BY REGIONAL ENTITY AS OF | 6/18/09 |

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

The SERC spot-check team reviewed URE's policies and procedures and determined that they adequately included provisions for annual re-training as required by CIP-004-1, R2.3. This violation resulted from a misunderstanding regarding the enforceable date of the standard and the requirement for annual training. Since this was an implementation issue, URE is not expected to have a recurrence of the violation.

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

URE submitted the following as evidence of completion of its mitigation plan:

- 1. Cyber Training attendance records which provided a listing names of the individuals trained and the dates of such training, confirming that the required training had been completed by June 2009.**

⁷ URE submitted its Mitigation Plan on August 13, 2009

⁸ This disposition document serves as SERC's Verification of Mitigation Plan Completion.

CIP-004-1 R2.1 violation

FOR FINAL ACCEPTED MITIGATION PLAN:

| | |
|-----------------------------------|--------------------|
| MITIGATION PLAN NO. | MIT-08-2476 |
| DATE SUBMITTED TO REGIONAL ENTITY | 4/5/10 |
| DATE ACCEPTED BY REGIONAL ENTITY | 4/9/10 |
| DATE APPROVED BY NERC | 4/30/10 |
| DATE PROVIDED TO FERC | 5/3/10 |

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

N/A

MITIGATION PLAN COMPLETED YES NO

| | |
|--------------------------|----------------|
| EXPECTED COMPLETION DATE | 5/26/09 |
| EXTENSIONS GRANTED | N/A |
| ACTUAL COMPLETION DATE | 5/26/09 |

| | |
|---|----------------|
| DATE OF CERTIFICATION LETTER | 4/8/10 |
| CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF | 5/26/09 |

| | |
|--|----------------|
| DATE OF VERIFICATION ⁹ | 4/8/10 |
| VERIFIED COMPLETE BY REGIONAL ENTITY AS OF | 5/26/09 |

MITIGATION PLAN COMPLETED YES NO

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

To correct the violation of CIP-004-1, R2.1, URE trained the employee as part of its annual training program on May 2009. To prevent recurrence, URE implemented new processes to grant access to cyber assets. Now prior to access being granted, all requests for access are routed through URE's human resources department for confirmation that a personnel risk assessment and cyber security training has been performed in accordance with CIP-004-02, R2 and R3 on the individual prior to the access request being released for processing.

⁹ This Disposition Document serves as SERC's Verification of Mitigation Plan Completion.

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

URE submitted the following as evidence of its completion of its mitigation plan:

- 1. Cyber Training attendance records which provided a listing names of those individuals trained and dates of such training, confirming that the subject employee received the required training in May 2009.**
- 2. A new revision of the procedure for compliance with CIP-004-01, R2.1 which removes the 90-day grace period and requires that training occur prior to access being granted.**

IV. PENALTY INFORMATION

TOTAL ASSESSED PENALTY OR SANCTION OF **\$5,000** FOR **TWO** VIOLATIONS OF RELIABILITY STANDARDS.

(1) REGISTERED ENTITY'S COMPLIANCE HISTORY

PREVIOUSLY FILED VIOLATIONS OF ANY OF THE INSTANT RELIABILITY STANDARD(S) OR REQUIREMENT(S) THEREUNDER

YES NO

LIST VIOLATIONS AND STATUS

ADDITIONAL COMMENTS

Although these violations have separate violation IDs, SERC considered these violations to be two instances of a single violation in determining the penalty. These violations are of the same standard requirement and occurred at the same time. Nevertheless, SERC assigned two violation IDs because of the different discovery methods.

PREVIOUSLY FILED VIOLATIONS OF OTHER RELIABILITY STANDARD(S) OR REQUIREMENTS THEREUNDER

YES NO

LIST 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 has a compliance program that was in place when the violations occurred and
SERC considered the existence of this program as a neutral factor in determining
the penalty.**

EXPLAIN SENIOR MANAGEMENT’S ROLE AND INVOLVEMENT WITH
RESPECT TO THE REGISTERED ENTITY’S COMPLIANCE PROGRAM
EXPLAIN

(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

EXHIBITS:

SOURCE DOCUMENT

SERC's CIP Spot-Check Screening Worksheet

URE's Self-Report, dated August 17, 2009

MITIGATION PLAN

URE's Mitigation Plan designated MIT-08-2433, dated August 13, 2009

URE's Mitigation Plan designated MIT-08-2476, dated April 5, 2010

CERTIFICATION BY REGISTERED ENTITY

URE's Certification of Mitigation Plan Completion for Mitigation Plan designated MIT-08-2433, dated April 8, 2010

URE's Certification of Mitigation Plan Completion for Mitigation Plan designated MIT-08-2476, dated April 8, 2010

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR SANCTION
ISSUED

DATE : OR N/A

SETTLEMENT DISCUSSIONS COMMENCED

DATE: **4/20/10** 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 DID NOT CONTEST

HEARING REQUESTED

YES NO

DATE

OUTCOME

APPEAL REQUESTED