



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

July 28, 2011

Ms. Kimberly D. 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 violation<sup>1</sup> discussed in detail in the Disposition Document attached hereto (Attachment a), 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)).<sup>2</sup>

This NOP is being filed with the Commission because URE does not dispute the violation of CIP-007-1 Requirement (R) 3.1 and the assessed five thousand dollar (\$5,000) penalty. Accordingly, the violation identified as NERC Violation Tracking Identification Number WECC200902055 is a Confirmed Violation, as that term is defined in the NERC Rules of Procedure and the CMEP.

### **Statement of Findings Underlying the Violation**

This NOP incorporates the findings and justifications reported in the Notice of Confirmed Violation and Proposed Penalty or Sanction (NOCV) issued on October 5, 2010, by Western Electricity Coordinating Council (WECC), as described in the Disposition Document. The details of the findings and the basis for the penalty are set forth in the Disposition Document.

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

<sup>2</sup> *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (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).

This NOP filing contains the basis for approval of this NOP by the NERC Board of Trustees Compliance Committee (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 at issue in this NOP.

NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	Duration	Total Penalty (\$)
NOC-694	WECC200902055	CIP-007-1	3.1	Lower	7/1/09-11/25/09	5,000

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

**CIP-007-1 R3.1 - OVERVIEW**

URE submitted a Self-Report to WECC. WECC determined that URE did not document its assessments of security patches for six of its routers within thirty calendar days of security patch availability.

**Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed<sup>3</sup>**

**Basis for Determination**

Taking into consideration the Commission’s direction in Order No. 693, the NERC Sanction Guidelines and the Commission’s July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,<sup>4</sup> the NERC BOTCC reviewed the NOCV and supporting documentation on June 10, 2011. The NERC BOTCC approved the NOCV and the assessment of a five thousand dollar (\$5,000) financial penalty against URE based upon WECC’s findings and determinations, the NERC BOTCC’s review of the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

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

1. the violation constituted URE’s first occurrence of violations of the subject NERC Reliability Standards;
2. URE self-reported the violation;
3. WECC reported that URE was cooperative throughout the compliance enforcement process;
4. URE had a compliance program at the time of the violation which WECC considered a mitigating factor, as discussed in the Disposition Document;

<sup>3</sup> See 18 C.F.R § 39.7(d)(4).

<sup>4</sup> *North American Electric Reliability Corporation*, “Guidance Order on Reliability Notices of Penalty,” 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, “Further Guidance Order on Reliability Notices of Penalty,” 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, “Notice of No Further Review and Guidance Order,” 132 FERC ¶ 61,182 (2010).

5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. WECC determined that the violation 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. WECC 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 believes that the assessed penalty of five thousand dollars (\$5,000) is appropriate for the violation 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 NOP with the Commission, or, if the Commission decides to review the penalty, upon final determination by the Commission.

### **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 parts of this NOP are the following documents:

- a) Disposition of Violation, included as Attachment a;
- b) URE's Response to the Notice of Alleged Violation and Proposed Penalty or Sanction, included as Attachment b;
- c) URE's Self-Report, included as Attachment c;
- d) URE's Mitigation Plan MIT-09-2823, included as Attachment d;
- e) URE's Certification of Mitigation Plan Completion, included as Attachment e; and
- f) WECC's Verification of Mitigation Plan Completion, included as Attachment f.

**A Form of Notice Suitable for Publication<sup>5</sup>**

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

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<sup>5</sup> 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>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>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</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>	<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>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>*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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PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION

## Conclusion

Accordingly, NERC respectfully requests that the Commission accept this 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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/s/ Rebecca J. Michael  
Rebecca J. Michael\*  
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and Regulatory Matters  
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cc: Unidentified Registered Entity  
Western Electricity Coordinating Council

Attachments

## **Attachment a**

### **Disposition of Violation**

**DISPOSITION OF VIOLATION<sup>1</sup>**

**Dated June 10, 2011**

NERC TRACKING NO. <b>WECC200902055</b>	REGIONAL ENTITY TRACKING NO. <b>WECC2010-609971</b>	NOC# <b>NOC-694</b>
REGISTERED ENTITY <b>Unidentified Registered Entity (URE)</b>		NERC REGISTRY ID <b>NCRXXXXX</b>
REGIONAL ENTITY <b>Western Electricity Coordinating Council (WECC)</b>		

**I. VIOLATION INFORMATION**

RELIABILITY STANDARD	REQUIREMENT(S)	SUB-REQUIREMENT(S)	VRP(S)	VSL(S)
<b>CIP-007-1</b>	<b>3</b>	<b>3.1</b>	<b>Lower</b>	<b>N/A<sup>2</sup></b>

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

**The purpose statement of CIP-007-1 provides in pertinent part: “Standard CIP-007 requires Responsible Entities<sup>[3]</sup> to define methods, processes, and procedures for securing those systems determined to be Critical Cyber Assets, as well as the non-critical Cyber Assets within the Electronic Security Perimeter(s). Standard CIP-007 should be read as part of a group of standards numbered Standards CIP-002 through CIP-009.” (Footnote added.)**

**CIP-007-1 R3 provides in pertinent part:**

**R3. Security Patch Management — The Responsible Entity, either separately or as a component of the documented configuration management process specified in CIP-003 Requirement R6, shall establish and document a security patch management program for**

<sup>1</sup> 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.

<sup>2</sup> At the time of the violations, no VSLs were in effect for CIP-007-1. 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.

<sup>3</sup> Within the text of Standard CIP-007, “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.



tracking, evaluating, testing, and installing applicable cyber security software patches for all Cyber Assets within the Electronic Security Perimeter(s).

**R3.1. The Responsible Entity shall document the assessment of security patches and security upgrades for applicability within thirty calendar days of availability of the patches or upgrades.**

#### VIOLATION DESCRIPTION

URE submitted a Self-Report to WECC stating that it discovered that the latest security patch for six of URE's routers had not been reviewed within the required thirty-day period.<sup>4</sup>

A WECC Subject Matter Expert (SME) reviewed the Self-Report and determined that URE did not document its assessments of security patches for six routers within thirty calendar days of security patch availability. The SME identified two devices (Device A) and four devices (Device B) that were not updated with the most current versions of firmware patches. URE deployed the two Device A cyber assets on August 15, 2007 when the devices were equipped with an earlier software version. The vendor released a software update version in 2010, but URE did not update its Device A firewalls. URE deployed the four Device B cyber assets on February 17, 2009 equipped with an earlier software version. Software updates were released in the Spring of 2009 and the fall of 2009, but URE did not install or document any assessment of software version updates after the deployment date.

#### RELIABILITY IMPACT STATEMENT- POTENTIAL AND ACTUAL

WECC determined that the violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system (BPS) because URE had additional security measures in place to protect routers during the period of the violation, and none of the cyber assets were connected to the internet. First, URE's Critical Cyber Asset network was (and is) configured to terminate any VPN piggyback attempt through multiple VPN access. Second, URE implemented software to monitor unauthorized access into its network. Finally, URE IT staff ran monthly reports and reviewed all access within the network.

IS THERE A SETTLEMENT AGREEMENT                      YES                       NO

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<sup>4</sup> The Self-Report stated that the violation involved two routers; however, after further investigation URE determined the violation actually involved six routers.

**PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment a

WITH RESPECT TO THE VIOLATION(S), REGISTERED ENTITY

NEITHER ADMITS NOR DENIES IT (SETTLEMENT ONLY) YES   
ADMITS TO IT YES   
DOES NOT CONTEST IT (INCLUDING WITHIN 30 DAYS) YES

WITH RESPECT TO THE ASSESSED PENALTY OR SANCTION, REGISTERED ENTITY

ACCEPTS IT/ DOES NOT CONTEST IT YES

**III. 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) **7/1/09 through 11/25/09 (Mitigation Plan completion)**

DATE DISCOVERED BY OR REPORTED TO REGIONAL ENTITY **Self-Report**

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

**IV. MITIGATION INFORMATION**

FOR FINAL ACCEPTED MITIGATION PLAN:

MITIGATION PLAN NO. **MIT-09-2823**  
DATE SUBMITTED TO REGIONAL ENTITY **12/16/09<sup>5</sup>**  
DATE ACCEPTED BY REGIONAL ENTITY **9/13/10**  
DATE APPROVED BY NERC **10/5/10**  
DATE PROVIDED TO FERC **10/6/10**

<sup>5</sup> The Mitigation Plan was signed on December 15, 2009.

**PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment a

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

MITIGATION PLAN COMPLETED YES  NO

EXPECTED COMPLETION DATE	<b>Submitted as complete</b>
EXTENSIONS GRANTED	
ACTUAL COMPLETION DATE	<b>11/25/09</b>
DATE OF CERTIFICATION LETTER	<b>1/20/10<sup>6</sup></b>
CERTIFIED COMPLETE BY REGISTERED ENTITY AS OF	<b>11/25/09</b>
DATE OF VERIFICATION LETTER	<b>9/13/10</b>
VERIFIED COMPLETE BY REGIONAL ENTITY AS OF	<b>11/25/09</b>

ACTIONS TAKEN TO MITIGATE THE ISSUE AND PREVENT RECURRENCE

- 1. URE assessed and documented its assessments of all security patch software updates for the six routers.**
- 2. URE upgraded the Vendor router software or documented compensating measures used to mitigate risk exposure.**
- 3. URE implemented minimum once per month IT security review meetings to ensure that all patches related to cyber security devices within the Electronic Security Perimeter are identified.**
- 4. URE updated its “configuration management process,” to included changes in management controls that identify each device, its firmware or software version, patch information and assessment status.**
- 5. The IT process was updated to include procedures by which Cyber Security devices are identified by type and flagged for ongoing review of security patch availability and assessment.**

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

- Cyber change control and configuration management procedure**
- Documentation of security patch assessments**

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<sup>6</sup> The Certification of Mitigation Plan Completion was dated December 16, 2009.

**PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment a

- **Documentation of changes in URE's configuration management process**

**V. PENALTY INFORMATION**

TOTAL ASSESSED PENALTY OR SANCTION OF **\$5,000** FOR **ONE** VIOLATION 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

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  UNDETERMINED   
EXPLAIN

**URE has implemented an Internal Compliance Program (ICP) which WECC considered a mitigating factor.**

**PRIVILEGED AND CONFIDENTIAL INFORMATION  
HAS BEEN REMOVED FROM THIS PUBLIC VERSION**

Attachment a

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.

(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

**URE's Self-Report**

MITIGATION PLAN

**URE's Mitigation Plan MIT-09-2823**

CERTIFICATION BY REGISTERED ENTITY

**URE's Certification of Mitigation Plan Completion**

VERIFICATION BY REGIONAL ENTITY

**WECC's Verification of Mitigation Plan Completion**

OTHER RELEVANT INFORMATION:

NOTICE OF ALLEGED VIOLATION AND PROPOSED PENALTY OR  
SANCTION ISSUED

DATE: **9/16/10** OR N/A

SETTLEMENT REQUEST DATE

DATE: OR N/A

NOTICE OF CONFIRMED VIOLATION ISSUED

DATE: **10/5/10** 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