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NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

February 23, 2011

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

Re: NERC Notice of Penalty regarding Unidentified Registered Enitity, FERC Docket No. NP11-_-000

Dear Secretary Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty[1] regarding Unidentified Registered Entity (URE), NERC Registry ID Numbers NCRXXXX1[2] and NCRXXXX2[3] 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, the NERC Uniform Compliance Monitoring and Enforcement Program (CMEP).[4]

As discussed more fully herein, URE self-reported its non-compliance with NERC Reliability Standards FAC-009-1 Requirement R1 and VAR-002-1 R1 that occurred in Reliability*First* Corporation's (Reliability*First*) footprint to Reliability*First*.

URE further self-reported to both Reliability*First* and the Southwest Power Pool Regional Entity (SPP RE) its non-compliance with PRC-005-1 R2.1 and CIP-004-1 R2.1 and R3 that occurred in both Reliability*First*'s and SPP RE's footprints.

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[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 (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); 18 C.F.R § 39.7(c)(2).

[2] Reliability*First* Corporation (Reliability*First*) confirmed that URE was included on the NERC Compliance Registry ID# NCRXXXXX, in Reliability*First*'s footprint.

[3] Southwest Power Pool Regional Entity (SPP RE) confirmed that URE was included on the NERC Compliance Registry ID# NCRXXXX2, in SPP RE's footprint.

[4] *See* 18 C.F.R § 39.7(c)(2).

These violations are summarized as follows:

Regional Entity	Reliability Standard and Requirement	Date of Self-Report	Basis of Non-Compliance
Reliability*First*	FAC-009-1 R1[5]	July 22, 2008	Line ratings not consistent with URE Facility Ratings Methodology
Reliability*First*	VAR-002-1 R1	July 22, 2008	Transmission Operator was not advised within 30 minutes that one of URE's facility's Unit #2 AVR tripped to manual mode
Reliability*First*	PRC-005-1 R2.1	July 23, 2008	Certain plants were not performing and/or documenting the quarterly and semi-annual battery tests
Reliability*First*	CIP-004-1 R2.1	November 21, 2008	10 employees had either unescorted physical access or cyber access to Critical Cyber Assets although the personnel had not completed the URE required training[6]
Reliability*First*	CIP-004-1 R3	November 21, 2008	19 personnel had unescorted physical access or cyber access to Critical Cyber Assets without receiving a background check within 30 days of obtaining access
SPP RE	PRC-005-1 R2.1	September 4, 2008	Certain plants were not performing and/or documenting the quarterly battery tests
SPP RE	CIP-004-1 R2.1[7]	November 25, 2008[8]	10 employees had either unescorted physical access or cyber access to Critical Cyber Assets although the personnel had not completed the URE required training
SPP RE	CIP-004-1 R3[9]	November 25, 2008[10]	19 employees had unescorted physical access or cyber access to Critical Cyber Assets without receiving a background check within

[5] URE's Self-Report dated July 22, 2008 stated that the discovery of its non-compliance with FAC-009-1 R1 resulted from an internal assessment following a vegetation contact with a line that is not designated as critical for reporting of vegetation incidents. Reliability*First* reviewed URE's Transmission Vegetation Management Program, 2007 Work Plan report, 2008 Work Plan report and 2009 proposed Work Plan and determined that URE did not have a violation of FAC-003-1. Specifically, the Transmission Vegetation Management Work Plan listed the circuit sections that are in the plan and the planned miles expected to be maintained. The work plan shows mileages to be cleared, that the contractor signs off via invoice, and that the URE forester verifies the work and completes a work verification log. At the multiregional audit of URE lead by SPP RE, the Audit Team requested inspection reports for three SPP RE critical lines and two Reliability*First* lines. The reports were supplied and show that the lines were maintained as planned. The Audit Team found URE compliant with FAC-003-1.

[6] Reliability*First* and SPP RE pursued the self-reported violations of CIP-004-1, R2 and CIP-004-1, R3 at the time they were self-reported and did not find a violation of CIP-004, R4. Reliability*First* and SPP RE are currently investigating a possible violation of CIP-004-1, R4.1 against URE resulting from a Spot Check.

[7] The CIP-004-1 R2.1 and R3 violations arose out of the same occurrence and were the same facts, but are violations in two separate regions, Reliability*First* and SPP RE Regions. Because they are the same facts Reliability*First* and SPP RE did not consider these violations to be repeat violations.

[8] The Settlement Agreement incorrectly states that URE submitted its self-report on November 21, 2008.

[9] *See* n.8 *supra*.

[10] *See* n.9 *supra.*

			30 days of obtaining access

This Notice of Penalty is being filed with the Commission because Reliability*First*, SPP RE and URE, have entered into a Joint Region Settlement Agreement (Settlement Agreement) to resolve all outstanding issues arising from a preliminary and non-public assessment resulting in Reliability*First*'s and SPP RE's determination and findings of the enforceable violations[11] of FAC-009-1, VAR-002-1, PRC-005-1 and CIP-004-1. According to the Settlement Agreement, URE neither admits nor denies the violations, but has agreed to a penalty assessed by Reliability*First* and SPP RE of sixty-five thousand dollars ($65,000) and twelve thousand dollars ($12,000) payable to each Regional Entity respectively for the referenced violations. URE has agreed to the total assessed penalty of seventy-seven thousand dollars ($77,000) to be assessed to URE, in addition to other remedies and actions to mitigate the instant violations and facilitate future compliance under the terms and conditions of the Joint Region Settlement Agreement. Accordingly, the possible violations identified as NERC Violation Tracking Identification Numbers RFC200800072, RFC200800073, RFC200800074, RFC200800110, RFC200800111, SPP200800061, SPP200800065 and SPP200800066 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 February 26, 2010, by and between Reliability*First*, SPP RE and URE. This Settlement Agreement is included as Attachment h. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission's regulations, 18 C.F.R. § 39.7, NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

[11] For purposes of this document, the violations at issue are described as "violations," regardless of their procedural posture and whether they were possible, alleged or confirmed violations.

Regional Entity	Registered Entity	NOC ID	NERC Violation ID	Reliability Standard	Req. (R)	Violation Risk Factor (VRF)	Total Penalty ($)
Reliability*First*	URE	240	RFC200800072	FAC-009-1	1	Medium	65,000
			RFC200800073	VAR-002-1[12]	1	Medium	
			RFC200800074	PRC-005-1	2.1	High[13]	
			RFC200800110	CIP-004-1	2.1	Medium[14]	
			RFC200800111	CIP-004-1	3	Medium[15]	
SPP RE			SPP200800061	PRC-005-1	2.1	High	12,000
			SPP200800065	CIP-004-1	2.1	Medium	
			SPP200800066	CIP-004-1	3	Medium	

FAC-009-1 R1 (*RFC200800072*)
The purpose of Standard FAC-009-1 is "To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies."

FAC-009-1 R1 requires that: "The Transmission Owner and Generator Owner shall each establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated Facility Ratings Methodology."

FAC-009-1 R1 has a "Medium" VRF.

[12] VAR-002-1 was enforceable from August 2, 2007 through August 27, 2008. VAR-002-1a was approved by the Commission and was enforceable from August 28, 2008 through May 13, 2009. VAR-002-1.1a was approved by the Commission and was enforceable from May 13, 2009 through September 16, 2010. VAR-002-1.1b was approved by the Commission and became enforceable on September 16, 2010. The subsequent interpretation and errata 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. At the time of the violation, VAR-002-1a was the enforceable standard; however, for consistency in this filing, the original NERC Reliability Standard, VAR-002-1, is used throughout.

[13] PRC-005-1 R2 has a "Lower" Violation Risk Factor (VRF); R2.1 and R2.2 each have a "High" VRF. During a final review of the standards subsequent to the March 23, 2007 filing of the Version 1 VRFs, NERC identified that some standards requirements were missing VRFs; one of these include PRC-005-1 R2.1. On May 4, 2007, NERC assigned PRC-005 R2.1 a "High" VRF. In the Commission's June 26, 2007 Order on Violation Risk Factors, the Commission approved the PRC-005-1 R2.1 "High" VRF as filed. Therefore, the "High" VRF was in effect from June 26, 2007.

[14] When NERC filed VRFs it originally assigned CIP-004-1 R2.1 a "Lower" VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified "Medium" VRF and on January 27, 2009, the Commission approved the modified "Medium" VRF. Therefore, the "Lower" VRF for CIP-004-1 R2.1 was in effect from June 18, 2007 until January 27, 2009 when the "Medium" VRF became effective.

[15] When NERC filed VRFs it originally assigned CIP-004-1 R3 a "Lower" VRF. The Commission approved the VRF as filed; however, it directed NERC to submit modifications. NERC submitted the modified "Medium" VRF and on January 27, 2009, the Commission approved the modified "Medium" VRF. Therefore, the "Lower" VRF for CIP-004-1 R3 was in effect from June 18, 2007 until January 27, 2009 when the "Medium" VRF became effective.

According to the Settlement Agreement, on July 22, 2008, URE self-reported a violation of Standard FAC-009-1 R1. Specifically, despite the apparent requirement in URE's Facility Rating Methodology requiring sag-checking for all lines designed prior to 1982,[16] URE identified 50 such lines that had been rated using their emergency rating without first being sag-checked.

URE discovered that it had not rigorously followed its Facility Ratings Methodology and used conductor emergency rating for certain lines that should have been de-rated to equal the conductor normal ratings. URE provided a list of 50 circuits, all within the Reliability*First* footprint, involved in the violation. Of the 50 circuits identified, three are identified as "NERC Critical" for reporting of vegetation outages.[17] All of the 50 transmission lines identified in URE's Self-Report had been identified for sag investigation but were not de-rated to have emergency ratings reduced to values equal to normal ratings, which resulted in a violation of FAC-009-1 R1.

Also, in URE's February 13, 2009 Response to a February 2, 2009 Request for Clarification from Reliability*First*, URE stated that since October 7, 2006, four reported lines experienced flows above their normal conductor ratings, and three out of those four lines experienced flows above their normal conductor ratings since FAC-009-1 became enforceable on June 18, 2007 for BPS facilities.

Based on the above facts, Reliability*First* determined that URE had a violation of FAC-009-1 R1 because URE failed to establish line ratings that were consistent with URE's then enforceable Facility Ratings Methodology (Revision 2) resulting in transmission lines continuing to have conductor emergency ratings used in excess of the normal rating.

Reliability*First* determined the duration of the violation of FAC-009-1 R1 to be from June 18, 2007, the date the Standard became enforceable, through August 21, 2008, when URE completed its Mitigation Plan.

Reliability*First* determined that the violation of FAC-009-1 R1 did not pose a serious or substantial risk to the reliability of the BPS because URE conducts semi-annual transmission system appraisal studies[18] that would have identified any lines requiring de-rating due to sag.

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[16] URE's existing Facility Rating Methodology can be interpreted to mean that all lines designed prior to 1982 should be sag-checked before using a conductor rating higher than the normal rating. URE accepts this interpretation and this procedure has been URE's practice. In URE's February 13, 2009 response to a February 2, 2009 request for clarification from Reliability*First*, URE stated its practice is to perform a specific sag investigation for those lines expected to exceed its conductor normal ratings as determined by either planning or operational studies; until those investigations are concluded, the conductor emergency ratings are reduced to a value equal to the conductor normal ratings.

[17] There was no evidence provided to Reliability*First* that indicated an economic choice by URE to violate any Reliability Standards.

[18] URE has been conducting semi-annual transmission system appraisal studies for over 30 years. Prior to each summer and winter peak load season, URE operations engineering performs system performance appraisal studies of URE's BPS to determine expected performance for a range of possible conditions for the upcoming season. These analyses include modeling the system at peak load and maximum power transfers across the URE system coupled with extensive single (n-1) and double (n-2) contingencies (outages of transmission lines, transformers, and/or

Further, for the lines identified as requiring sag studies, a review of URE's recentsystem performance appraisal reports did not identify any of the tested conditions, in combination with the loss of the overloaded (exceeding conductor normal capability) circuit, that would jeopardize the reliability of the BPS.

VAR-002-1 R1 (*RFC200800073*)
The purpose of Standard VAR-002-1 is "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 R1 requires that: "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."

VAR-002-1 R1 has a "Medium" VRF.

According to the Settlement Agreement, on July 22, 2008, URE self-reported its non-compliance to VAR-002-1 R1. Specifically, on July 8, 2008 and July 9, 2008, the automatic voltage regulator (AVR) of one of its facility's Unit #2 operated in manual mode because the Generator Operators were unaware that the Unit #2 AVR had tripped over to manual mode. Since the operating personnel were not aware of the trip to manual mode, URE did not communicate the AVR status to the Transmission Operator[19] within thirty minutes as prescribed in VAR-002-1 R1.

According to the Settlement Agreement, in early July, one of the two AVR channels was out of service due to erratic signals from a potential transformer. The unit operators were waiting for the next opportunity, in coordination with Generation Dispatch, to remedy this problem without affecting the operation of the bulk power system (BPS). On July 8, 2008, a lightning storm caused the second AVR channel to fail, and the unit operators did not receive an alarm when the AVR tripped to manual mode. The URE plant operators did not notice the warning light indicating that the Unit was in manual operation, and although the unit operators adjusted the voltage several times during the night and day shift, they did not recognize any improper

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generators). These analyses are intended to identify potential overloads and voltage issues and the associated outages that cause those issues. The analyses also search for scenarios that would result in voltage collapse or cascading outages that will threaten the reliability of the BPS. The results of these studies are communicated to URE's System Control Center Operators and Dispatchers as well as to URE's Reliability Coordinator. If these studies identify potential conditions that could jeopardize reliability, these particular potential conditions and mitigating procedures are reviewed with the Operators, so that these front-line employees are well-prepared for challenging situations.

[19] Although Reliability*First* has acknowledged that URE's failure to notify the Transmission Operator of manual mode operation within 30 minutes could constitute a separate violation of VAR-002-1 R3, Reliability*First* exercised its discretion under Section 3.10 of the NERC Sanction Guidelines to address any possible violation of that requirement and of VAR-002-1 R1 as "related to a single act or common incidence of non-compliance" for which Reliability*First* would assess "a single aggregate penalty."

functioning of the AVR.[20] Ultimately, the plant operators did not recognize that the AVR was in manual mode until the Unit #2 tripped the morning of July 9, 2008. Following the Unit #2 trip, the plant staff cleaned the potential transformer connections and both AVR channels were restored to service.

Based on the above facts, Reliability*First* determined that URE had a violation of VAR-002-1 R1 because URE operated the Unit #2 AVR in manual mode without notification to the Transmission Operator.

Reliability*First* determined the duration of the violation of VAR-002-1 R1 to be from July 8, 2008, the date URE operated the Unit #2 AVR in manual mode and failed to notify the Transmission Operator, through July 9, 2008, when URE returned the Unit #2 AVR to automatic voltage control mode. URE provided logs showing that communication back and forth with the Reliability Coordinator was occurring on July 9, 2008 concerning the Unit #2 trip.

Reliability*First* determined that the violation of VAR-002-1 R1 did not pose a serious or substantial risk to the reliability of the BPS because there was no impact on the BPS system requiring any emergency action or even extraordinary action on the part of its Transmission Operator, and that everything on the BPS was operating normally before, during and immediately after the Unit #2 trip on July 9, 2008. Additionally, there was an adequate reserve margin after the trip and there were no system operation limit issues, no interconnection reliability operation limit issues, and no reactive or voltage problems as a result of the trip.

PRC-005-1 R2.1

The purpose of Standard PRC-005-1 is "To ensure all transmission and generation Protection Systems[21] affecting the reliability of the Bulk Electric System (BES) are maintained and tested." (footnote added)

PRC-005-1 R2 requires that:

> Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Entity on request (within 30 calendar days). The documentation of the program implementation shall include:
>
> > R2.1. Evidence Protection System devices were maintained and tested within the defined intervals.

PRC-005-1 R2.1 has a "High" VRF.

Reliability*First* (*RFC200800074*)

[20] The Unit operators made several voltage adjustments during the night to maintain 114 volts.

[21] *The NERC Glossary of Terms Used in Reliability Standards* defines Protection System as "Protective relays, associated communication systems, voltage and current sensing devices, station batteries and DC control circuitry."

According to the Settlement Agreement[22] on July 23, 2008, URE self-reported non-compliance with Standard PRC-005-1 R2.1. URE self-reported that, while reviewing the Protection System practices at its power plants, URE learned that it was not consistently performing and documenting battery inspection and test activities in certain respects as required by the procedure outlined in its generation battery inspection and testing program. URE failed to fully perform and/or document certain portions of the quarterly battery tests specified in its battery inspection and testing guidelines – specifically, the vent fan inspection and the requirement to take temperature measurements on 10% of all battery cells.

The procedure provides that every site shall be in compliance with the procedure by the end of 2008 or the first major outage, after the end of 2007, which ever comes later. URE stated that the intent of this statement was to allow the plants time to refine inspection procedures and documentation practices before full compliance would be expected. URE's internal audits identified that this statement was not consistently understood in the plants regarding applicability to quarterly versus annual requirements, and was not sufficiently aggressive for compliance purposes. In response to the internal audit findings, URE issued a memo stating that the expectation was to make the routine quarterly and semi-annual inspections effective immediately, and that all inspections must be completed by the end of March 2008.

A complete review of the first quarter of 2008 quarterly inspections in URE's plants revealed that there were approximately 68% of the coal plants in the Reliability*First* footprint that did not fully complete or document the results of the required inspections in the first quarter of 2008. For the second quarter of 2008 quarterly inspections in URE's plants, five plants did not fully complete or document the results of the required inspections and three plants were late in conducting inspections and documentation (one by only one day). Of the plants on a semi-annual schedule, three plants in the Reliability*First* footprint did not fully complete the required inspections or did not document the results of all the elements of the inspections.

Further, URE reported that there are battery sets included in URE's total Protection System devices. For the first quarter of 2008, (49.4%) of the battery sets missed inspection intervals, and for the second quarter of 2008, (35.9%) of the battery sets missed test intervals.[23]

The battery sets that missed at least one inspection interval for the first quarter of 2008 comprised 2.52% of the total number of protection devices at URE. The battery sets that missed at least one inspection interval comprised 1.83% of the total number of Protection System devices at URE.

Based on the above facts, Reliability*First* determined that URE had a violation of PRC-005-1 R2.1 because URE failed to perform quarterly and semi-annual battery testing of Protection System devices as required by URE's generation battery inspection and testing program.

[22] The Settlement Agreement addresses alleged violations of PRC-005-1 R2.1 in both the Reliability*First* and SPP RE Regions. Each violation is discussed separately because the violations differ for each region.
[23] URE's report noted there were nine applicable inspection parameters for each battery set in the first quarter and twelve applicable inspection parameters in the second quarter. The number of total inspection parameters missed versus the total number of inspection parameters the first quarter was (18.1%) and the second quarter was (6.7%).

ReliabilityFirst determined the duration of the violation of PRC-005-1 R2.1 to be from March 31, 2008, the date battery inspections were to be completed pursuant to URE management's February 29, 2008 memo[24] through September 1, 2008, when URE completed its Mitigation Plan.

ReliabilityFirst determined that the violation of PRC-005-1, R2.1 did not pose a serious or substantial risk to the reliability of the BPS because the batteries with missed or inadequately documented inspections were tested in the second half of 2008 and these inspections did not identify any deficiencies that would have impacted the functionality of the batteries during the first and second quarters of 2008. Additionally, for many of the inadequately documented inspections, URE utilized older plant specific checklists that did not include all fields as specified in the battery inspection and test procedure, but still performed an inspection.

SPP RE (*SPP200800061*)
The facts and circumstances of URE's violation of PRC-005-1 R2.1 in SPP RE's footprint are substantially similar to the facts and circumstances reported to ReliabilityFirst for PRC-005-1 R2.1 cited above.

As noted in URE's September 4, 2009 Self-Report to ReliabilityFirst, URE's battery inspection and testing guidelines is the battery inspection and testing procedure utilized by URE at its generating facilities. The revised procedure was in force when PRC-005-1 became enforceable on June 18, 2007. The revised procedure required URE to perform battery capacity tests every five years at its generating facilities. Quarterly battery inspections were required at all generating facilities. In addition to the quarterly battery inspections, the revised procedure required battery connections to be checked during major unit outages. Subsequent to any abnormal or severe circumstances affecting the unit station batteries, the quarterly battery inspection would be repeated (Special Inspections). URE amended the revised procedure on August 31, 2007. In the second revised battery testing and inspection procedure, URE changed the battery capacity test by requiring that capacity tests be performed every five years or 25% of projected battery life. Battery connections were required to be checked during each major outage of four weeks or longer. The requirement for quarterly battery inspections and special inspections was unchanged. In the second revised procedure URE mandated that all generation facilities be in compliance with the second revised procedure by the later of the end of 2008 or the next major unit outage after the end of 2007 (implementation period). According to URE, the implementation period in the second revised procedure was misinterpreted by the management of some of its generating facilities as eliminating the requirement to perform quarterly battery inspections during the implementation period. URE stated the intent of the implementation period was to allow the URE generating facilities time to refine inspection procedures and documentation practices before full compliance would be expected. The implementation period was not meant to eliminate the requirement for quarterly battery

[24] URE's battery inspection and testing program for its generating plants was in place historically before the advent of mandatory reliability standards. In February 2007, the procedure was revised to recognize that the program was required for compliance with PRC-005-1. The memo issued by URE management, requiring completion of quarterly battery inspections by March 31, 2008, superseded the implementation period first established in the procedure for quarterly battery inspections.

inspections. URE did not discover that some generating facilities were misinterpreting the implementation period requirement for quarterly battery inspections in the second revised procedure until the fourth quarter of 2007.

Due to the ambiguity in the second revised procedure regarding the implementation period, during the third quarter of 2007, a number of URE's generating facilities in the SPP RE Region performed partial quarterly battery inspections and nine generating facilities failed to perform quarterly battery inspections. Battery capacity tests during the third quarter of 2007 were current. The misinterpretation of the second revised procedure by some generating facilities continued into the fourth quarter of 2007, causing URE to perform partial quarterly battery inspections at a number of its generating facilities and no quarterly battery inspections at two of its generating facilities. Battery capacity tests during the fourth quarter of 2007 were current.

The second revised procedure was amended on February 29, 2008. URE's third revised battery testing and inspection program, changed the quarterly battery inspections for URE's generating facilities to a semi-annual inspection. The scope of quarterly inspections for batteries at the URE generating facilities and the semi-annual inspection of batteries for the generating facilities are identical. The requirement for battery capacity tests and battery connection checks was changed in the third revised procedure to required that a battery capacity test must be performed once every five years, but may be performed at the first major outage after five years should the major outage to meet the five year requirement be shifted or if the major outage interval is greater than five years.

Although partial quarterly battery inspections were performed at some generating facilities during the first quarter of 2008, URE asserted it was compliant with the quarterly battery inspection requirements for the generating facilities during the first quarter of 2008 because it changed the interval for battery inspections at its generating facilities to semi-annual on February 28, 2008 and the semi-annual battery inspections were not due.

During the first quarter of 2008, URE performed partial quarterly battery inspections at some generating facilities. The quarterly battery inspections were incomplete because the generating facilities failed to make the changes in the scope of the quarterly battery inspection enacted in the third revised procedure on February 28, 2008. Battery capacity tests during the first quarter of 2008 were current.

The third revised procedure was amended on May 27, 2008. URE's fourth revised battery testing and inspection procedure, changed the interval for a quarterly battery inspection by requiring that quarterly inspections be performed at roughly 90 day intervals. The interval for a semi-annual inspection was changed to require that they be performed at roughly 180 day intervals. The scope of the quarterly and semi-annual battery inspections was amended to include a check of the operation of the battery room ventilation exhaust fan.

During the second quarter of 2008, URE performed a partial quarterly battery inspection at one of its generating facilities. Although some of the URE units performed a complete battery inspection, one unit failed to perform the check of the battery room ventilation exhaust fan; a

requirement added by the fourth revised procedure on May 27, 2008. Battery capacity tests during the second quarter of 2008 were current.

Based on the above facts, SPP RE determined that URE had a violation of PRC-005-1 R2.1 because URE failed to perform quarterly testing of Protection System devices as required by URE's generation battery inspection and testing program.

SPP RE determined the duration of the violation of PRC-005-1 R2.1 to be from March 31, 2008, the date required testing was not performed at some of URE's generating facilities in violation of the memo issued by URE management on February 29, 2008 cited in footnote 12 above, through January 30, 2009, when URE completed its Mitigation Plan.

SPP RE determined that the violation of PRC-005-1 R2.1 did not pose a serious or substantial risk to the reliability of the BPS because at the time the violation of PRC-005-1 began, the URE generator protection program encompassed Protection System devices, of which, approximately 6% were battery sets. The battery sets with partial inspections in the first quarter of 2008 represented less than one percent (1.0%) of URE's total generation Protection System devices in SPP RE's footprint. During the second quarter of 2008, URE performed partial quarterly inspections at one generating facility. The single battery set with a partial quarterly inspection in the second quarter of 2008 represented less than one percent (1.0%) of URE's total generation Protection System devices in SPP RE's footprint.

CIP-004-1 R2.1 and CIP-004-1 R3

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

CIP-004-1 R2 (Training) requires that:

> The Responsible Entity[25] 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.

[25] Within the text of the Reliability Standard, "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 Entities. However, the following are exempt: (1) facilities regulated by the U.S. Nuclear Regulatory Commission or the Canadian Nuclear Safety Commission; (2) Cyber Assets associated with communication networks and data communication links between discrete Electronic Security Perimeters; and (3) Responsible Entities that, in compliance with Standard CIP-002, identify that they have no Critical Cyber Assets. Mandatory implementation was phased in for the different functions.

> 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.

CIP-004-1 R2.1 has a "Medium" VRF.

CIP-004-1 R3 (Personal Risk Assessment) provides in pertinent part that:

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

CIP-004-1 R3 has a "Medium" VRF.

Reliability*First* (*RFC200800110* and *RFC200800111*)

On November 21, 2008, URE self-reported its non-compliance with Standard CIP-004-1 R2 and R3 to Reliability*First*. URE self-reported that, subsequent to its July 2008 Self-Certifications[26] for CIP-004-1, URE performed a thorough re-check of its records to confirm that those granted access to cyber facilities, either unescorted physical access or cyber access, had completed the required training and a successful background check. URE's review initially identified 17 personnel who had authorized access to Critical Cyber Assets without either proper training or background check. Ten of the 17 personnel did not complete training within 90 days of access to Critical Cyber Assets, in violation of CIP-004-1, R2, and all of the 17 personnel failed to complete a personnel risk assessment within 30 days of access to Critical Cyber Assets, in violation of CIP-004-1, R3. URE also stated that all access rights to Critical Cyber Assets were revoked immediately upon discovery and verification, and were only re-enabled after the requirements had been met. On December 16, 2008, URE submitted an addendum to the Self-Report noting that two additional URE employees had unescorted physical access to Critical Cyber Assets and did not complete a background check within 30 days of access, in violation of CIP-004-1, R3. However, the two employees did complete training in accordance with CIP-004-1, R2.[27]

With the volume of personnel data and various types of access possible, URE identified several types of errors as the cause of its non-compliance. Seven of the 19 total identified instances of improper access were due to administrative error in the process of bulk-loading data for over 800 personnel. Another nine instances were due to unknown pre-existing access authorization

[26] CIP-002-1 through CIP-009-1 Standards were approved by the Commission on January 18, 2008 and have a mandatory implementation date of July 1, 2008 for registered entities with Balancing Authority and Transmission Operator functions. URE self-certified its compliance with the Standard in July 2008, following the mandatory and enforceable date of July 1, 2008 for Table 1 entities.

[27] RFC and SPP pursued the self-reported violations of CIP-004-1, R2 and CIP-004-1, R3 at the time they were self-reported and did not find a violation of CIP-004, R4 at that time. RFC and SPP are currently investigating a possible violation of CIP-004-1, R4.1 against URE resulting from a Spot Check.

assigned to telecommunications technicians. The other three instances originated after the July 2008 Self-Certification and involved the establishment of access to Critical Cyber Assets to individuals with a new or changed job.

CIP-004-1 R2.1
According to the information provided by URE in the Self-Report and addendum to the Self-Report, 10 URE employees had unescorted physical or cyber access to Critical Cyber Assets without completing training within 90 days of access. Specifically, one employee had unescorted physical access, but no cyber access. Nine employees had cyber access but no unescorted physical access. Regarding the nine employees with cyber access only, URE indicated that these employees were telecommunications technicians who were unintentionally provided access to communications devices in the Supervisory Control and Data Acquisition (SCADA) perimeter. With this access, they conceivably could have temporarily disrupted SCADA communications. The one individual with unescorted physical access (discovered by URE on November 11, 2008) and the nine individuals with cyber access (discovered by URE on November 19, 2008) did not require access for their jobs and access was revoked for all ten employees upon discovery.

CIP-004-1 R3
All 19 employees had unescorted physical access or cyber access to Critical Cyber Assets without receiving a background check within 30 days of access. URE has indicated to Reliability*First* that of the 19 employees, nine employees[28] had physical access only (seven persons in the original Self-Report plus two additional people in the addendum to the Self-Report), and nine employees had cyber access only. One employee had both physical and cyber access to the referenced Critical Cyber Assets.

Of the nine employees with physical access only, three were individuals who did not need this access for their jobs, and for which URE has documentation that the access was not used. URE revoked access for the three individuals for which access was not needed. The remaining six were staff who did need and used this access. These six individuals subsequently had a clean background checks. Additionally, these six individuals did not have the required biometric access to log into a SCADA/Energy Management System (EMS).

The nine employees that had been provided cyber access only were telecommunications technicians who were unintentionally provided access to communications devices in the SCADA perimeter. These employees did not require access for their jobs and access was revoked.

URE indicated that only one employee had both physical and cyber access to Critical Cyber Assets without the requisite PRA. This employee was a transmission dispatcher, for whom a background check was inadvertently not requested. Following discovery, a clean background check was obtained. This employee has over thirteen years experience at URE and has been reliably performing the important dispatcher function. The individual with physical and cyber access did need the access for his/her job.

[28] Of the nine, six were employees of URE and three were contractors.

Based on the above facts, Reliability*First* determined that URE had a violation of CIP-004-1 R2.1 and R3 because URE failed to ensure that all personnel having access to Critical Cyber Assets were trained within ninety calendar days of such authorization and/or were subject to personnel risk assessments conducted pursuant to that program within thirty days of such personnel being granted such access.

Reliability*First* determined the duration of the violation of CIP-004-1 R2.1 and R3 to be from July 1, 2008, the date the Standards became enforceable through February 27, 2009, when URE completed its Mitigation Plan.

Reliability*First* determined that the violation of CIP-004-1 R2.1 and R3 did not pose a serious or substantial risk to the reliability of the BPS because of the 19 personnel identified whose access did not meet the technical requirements of CIP-004-1, R3: Nine individuals were provided physical access only. Of these, three were individuals who did not need this access for their jobs. Documentation has been reviewed reflecting that the access was not used. The remaining six were staff who did need and used the access. However, these were all individuals (5 employees, 1 contractor) with solid employment records, and who subsequently had a clean background check run on them. These individuals did not have the required biometric access to log into a SCADA/EMS system. Nine instances were for cyber access only, and involved telecommunications technicians who were unintentionally provided access to communications devices in the SCADA perimeter. Significant communication redundancies were in place should a disruption have occurred. Only one instance involved both physical and cyber access – a transmission dispatcher, for whom a background check was inadvertently not requested. Following discovery, a clean background check was obtained. This employee has over 13 years experience at URE and has been reliably performing the dispatcher function.

SPP RE (*SPP200800065* and *SPP200800066*)
On November 25, 2008 URE submitted a Self-Report in the SPP RE Compliance Data Management System (CDMS) indicating that during an internal audit,[29] URE identified seventeen (17) employees who had authorized physical access or cyber access to Critical Cyber Assets without having a completed personnel risk assessments as required by R3, including ten (10) employees that did not have proper training within ninety days of being granted access as required by R2. The facts and circumstances regarding URE's non-compliance with R2.1 and R3 are similar to the facts and circumstances reported to Reliability*First*.

Based on the above facts, SPP RE determined that URE had a violation of CIP-004-1 R2.1 and R3 because URE failed to ensure that all personnel having access to Critical Cyber Assets were trained within ninety calendar days of such authorization and/or were subject to personnel risk assessments conducted pursuant to that program within thirty days of such personnel being granted such access.

[29] URE noted that over 800 personnel were entered into URE's tracking system in a bulk-load process, as a result of the enforcement of the CIP Standards effective July 1, 2008, and in preparation for the July 2008 Self-Certification on CIP-004-1, Cyber Security Personnel and Training. These personnel included all those with access to URE's transmission Control Center facilities and supporting infrastructure.

SPP RE determined the duration of the violation of CIP-004-1 R2.1 and R3 to be from July 1, 2008, the date the Standards became enforceable through February 27, 2009, when URE completed its Mitigation Plans.

SPP RE determined that the violation of CIP-004-1 R2.1 and R3 did not pose a serious or substantial risk to the reliability of the BPS because of the 19 personnel identified whose access did not meet the technical requirements of CIP-004-1 R3: Nine employees were provided physical access only. Of these, three were individuals who did not need this access for their jobs. Documentation has been reviewed reflecting that the access was not used. The remaining six were staff who did need and used the access. However, these were all individuals (5 employees, 1 contractor) with solid employment records, and who subsequently had a clean background check run on them. These Individuals did not have the required biometric access to log into a SCADA/EMS system. Nine instances were for cyber access only. All of those involved telecommunications technicians who were unintentionally provided access to communications devices in the SCADA perimeter. Significant communication redundancies were in place should a disruption have occurred. Only one instance involved both physical and cyber access – a transmission dispatcher, for whom a background check was inadvertently not requested. Following discovery, a clean background check was obtained. This employee has over 13 years experience at URE and has been reliably performing the dispatcher function.

Regional Entity's Basis for Penalty

According to the Joint Region Settlement Agreement, Reliability*First* and SPP RE have assessed a penalty of sixty-five thousand dollars ($65,000) and twelve thousand dollars ($12,000) respectively for the referenced violations. URE has agreed to the total assessed penalty of seventy-seven thousand dollars ($77,000).

In reaching the determinations of the assessed penalties, Reliability*First* and SPP RE considered the following factors:

1. these violations constituted URE's first occurrence of violations of the NERC Reliability Standards at issue in this Notice of Penalty;
2. URE self-reported the violations;
3. URE was cooperative throughout the compliance enforcement process;
4. URE has a compliance program which was considered a mitigating factor in the penalty determination;
5. the violations did not pose a serious or substantial risk to the BPS, as discussed above; and
6. there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

Further, Reliability*First* and SPP RE concluded that no aggravating factors (*e.g.*, repetitive violations, concealment, intent to violate, *etc.*) existed, and thus no upward adjustment of the penalty amount was warranted.

After consideration of the above factors, Reliability*First* and SPP RE determined that, in this instance, the total penalty amount of seventy-seven thousand dollars ($77,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violations.

Status of Mitigation Plan[30]

FAC-009-1 R1 (*RFC200800072*)
URE's Mitigation Plan to address its violation of FAC-009-1 R1 was submitted to Reliability*First* on September 2, 2008, stating that it had been completed on August 21, 2008. The Mitigation Plan was accepted by Reliability*First* on September 26, 2008 and approved by NERC on November 6, 2008. The Mitigation Plan for this violation is designated as MIT-08-1107 and was submitted as non-public information to FERC on November 6, 2008 in accordance with FERC orders.

URE took the following actions to immediately mitigate the risk to the BPS: (1) notified its RC to state that URE had reviewed the its rating practices and would be re-rating approximately 50-60 transmission lines; and (2) URE worked with its RC to implement the revised ratings into its RC's operations models.

URE's Mitigation Plan MIT-08-1107 confirmed that URE:

1. revised its Facility Ratings Methodology reference document, to be consistent with URE's practice;
2. improved and documented processes for circuits identified for sag investigations; and
3. communicated revisions to all staff involved with these issues or affected by the process improvement changes, including lessons-learned, process improvements and reinforcement of the desired excellence in compliance culture.

URE certified completion of Mitigation Plan MIT-08-1107 on September 2, 2008 in its Mitigation Plan. On December 9, 2008 URE submitted the following evidence of completion:

1. revised report more rigorously addresses conductor sag consideration;
2. URE SAG check database and circuit listing;
3. URE 2008 Summer Single Contingency Analysis – Normal Rating (Conductor Limited Facilities);
4. internal URE e-mail from URE Transmission Operations, dated November 24, 2008;
5. internal URE e-mail from URE Transmission Planning, dated November 25, 2008;
6. screen Prints from the Database, dated December 1, 2009;
7. internal URE e-mail from URE Transmission Planning, dated November 26, 2009;
8. internal URE e-mail from URE Transmission Operations, November 24, 2008;
9. Screen Prints from EMS, dated December 1, 2008;
10. **S**creen Prints from the Database, dated December 2, 2008;
11. Screen Prints from the Database, dated December 5, 2008;

[30] *See* 18 C.F.R § 39.7(d)(7).

Evidence 2-11 shows that the conductor emergency ratings in the database have been reduced to reflect conductor normal ratings and it also shows that Transmission Operators have been notified to make corresponding changes in the EMS and the RC's database.

12. PowerPoint Presentation on Transmission Line Rating Practice and Process;
13. e-mail from the managing director of transmission operations, dated August 13, 2008;
14. e-mail from the director of transmission planning dated August 14, 2008 and attendance sheets from line de-rating meetings (PowerPoint Presentation); and

Evidence 12-14 shows that the PowerPoint presentation on Transmission Line Rating Practice and Process was used for URE's internal communication to affected staff. The slides provided to all staff that were involved with the issues or affected by the process improvement changes the details of what happened, the lessons learned and the improved process going forward, conductor emergency ratings in the database have been reduced to reflect conductor normal ratings and it also shows that Transmission Operators have been notified to make corresponding changes in the EMS and the RC's database.

15. e-mail from senior vice president of transmission dated August 8, 2008.

Evidence 15 is an e-mail from the senior vice president to all transmission staff to inform employees of mandatory standards and the fact that URE has discovered a violation.

Reliability*First* reviewed the evidence URE submitted in support of its certification of completion and on July 5, 2009, Reliability*First* verified that URE's Mitigation Plan MIT-08-1107 was completed in accordance with its terms.

VAR-002-1 (*RFC200800073*)
URE's Mitigation Plan to address its violation of VAR-002-1 R1 was submitted to Reliability*First* on July 22, 2008 with a proposed completion date of May 30, 2009. The Mitigation Plan was accepted by Reliability*First* on September 26, 2008 and approved by NERC on November 6, 2008. The Mitigation Plan for this violation is designated as MIT-08-1108 and was submitted as non-public information to FERC on November 6, 2008 in accordance with FERC orders.

URE took the following action to immediately mitigate the risk to the BPS: URE checked both channels for the voltage regulator and made both channels available for service when Unit #2 returned to service after the July 9, 2008 trip. The unit was started up on AVR and is currently operating on AVR.

URE's Mitigation Plan MIT-08-1108 required URE to:

1. confirm that both channels for the AVR were checked and made available for service when Unit #2 was returned to service;
2. request all plant operations supervisors and control room operators to review procedure relative to excitation system operations and voltage regulator operations;
3. verify that all plants have been directed to confirm current AVR status;

4. identify all voltage regulators in the URE system with a similar alarm scheme as the one that was involved in this event and contact the original equipment manufacturer regarding potential impact at other utilities;
5. implement a temporary alarm scheme that specifically indicates "Auto Voltage Regulator Trip to Manual," as soon as design development and system conditions allow the work to be done;
6. assemble a team to evaluate all fleet voltage regulators to determine susceptibility to a similar event;
7. re-evaluate AVRs and identify a plan to reduce likelihood of a similar event;[31]
8. implement modifications, identified in item 6, that can be done on a short outage and not requiring a long material lead time;
9. develop a training program for operators for AVR operation with emphasis on recognizing a trip to manual and slipped pole condition, as well as complying with applicable NERC Reliability Standards; and
10. implement the training program and train all control room operating personnel.

URE certified on April 3, 2009 that its Mitigation Plan MIT-08-1108 was completed on March 30, 2009. On December 9, 2008 URE submitted evidence of completion of Mitigation Plan MIT-08-1108. As evidence of completion, URE submitted the following:[32]

1. e-mails confirming that URE contacted the original equipment manufacturer regarding its alarm circuitry;
2. a letter identifying all AVRs in the URE system with a similar scheme as the one involved in the event;
3. the results of URE's internal voltage regulator survey and engineering review describing the steps to reduce the likelihood of a similar event;
4. evidence that the procedure had been reviewed at all stations in the form of attendance logs and e-mails;
5. A summary which shows that a team was assembled in early August 2008 to investigate the undetected trip to manual of Unit #2; and
6. the finalized training program documents and attendance records.

Reliability*First* reviewed the evidence URE submitted in support of its certification of completion. On September 11, 2009, Reliability*First* verified that the Mitigation Plan MIT-08-1108 was completed in accordance with its terms.

PRC-005-1 R2.1 (*RFC200800074*)

URE's Mitigation Plan to address its violation of PRC-005-1 R.2.1 was submitted to Reliability*First* on July 23, 2008 with a proposed completion date of October 7, 2008. The Mitigation Plan was accepted by Reliability*First* on September 26, 2008 and approved by NERC on November 6, 2008. The Mitigation Plan for this violation is designated as MIT-08-1109 and was submitted as non-public information to FERC on November 6, 2008 in accordance with FERC orders.

[31] AVRs with this design have been under review by the engineering group due to past channel failures caused by electrical storms. As a result, several of the locations have implemented a new circuit to reduce the likelihood of a channel failure.

[32] *See* Reliability*First*'s Verification of Completion letter for additional details on the evidence submitted by URE.

URE's Mitigation Plan MIT-08-1109 required URE to:

1. confirm that immediately following the first internal audit, a memo was sent to all URE power plants re-iterating the need to adhere to the battery maintenance and testing plan. This was completed on February 29, 2008;
2. revise components of the procedure to clarify the maintenance requirements. This was revised February 29, 2008 and May 2008.
3. based on questions from some facilities, a second memo will be sent to all facilities with clarification concerning the application of the procedure for the maintenance and testing of batteries. This was completed July 19, 2008;
4. revise the procedure to incorporate further clarification of the requirements and guidance provided;
5. implement tracking and quality control checks that will identify documentation or performance issues before the deadline for completing the required periodic inspections going forward; and
6. provide status update of Mitigation Plan to Reliability*First*.

URE certified on October 22, 2009 that its Mitigation Plan MIT-08-1109 was completed on September 1, 2008. On November 24, 2008, URE submitted evidence of completion of the Mitigation Plan MIT-08-1109. As evidence of completion, URE submitted the following: (Specific to R2.1):

1. Memo to URE plant managers;
2. Attachment to Memo to URE plant managers;
3. Revised Procedure with attached checklists;
4. Memo to URE plant managers, July 17, 2008;
5. Memo to URE plant managers, July 19, 2008;
6. Summary of Quarterly Inspections, 2008, first quarter through fourth quarter;
7. RFC – 2008 3rd Qtr Station Battery Generation Results;
8. Summary of Quarterly Inspection Tasks Completed (3rd Quarter);
9. Quarterly Required Vented / Flooded Battery Inspection Data Sheet;
10. Response to RFC Additional Questions Letter dated August 5, 2009: response to question 1 for PRC-005;
11. Summary of Battery Data and Capacity Test Information;
12. Battery Capacity Test Report, Unit 3, April 25, 2008;
13. Response to RFC Additional Questions Letter dated August 5, 2009: response to question 2 for PRC-005;
14. Instructions of Process; Sample E-mail Notification; Task Completion Screen Print
15. Documents generated (e-mails) as a result of the Quality Assurance/Quality Control Process;
16. Quarterly Required Vented / Flooded Battery Inspection Data Sheet, dated August 6, 2008; and
17. Documents (e-mails) demonstrating changes to improve the process.

Reliability*First* reviewed the evidence URE submitted in support of its certification of completion. On September 8, 2009, Reliability*First* verified[33] that Mitigation Plan MIT-08-1109 was completed in accordance with its terms.

CIP-004-1 R2.1 (*RFC200800110*) and CIP-004-1 R3 (*RFC200800111*)
URE's Mitigation Plan to address its violation of CIP-004-1 R2.1 and CIP-004-1 R3 was submitted to Reliability*First* on November 21, 2008 with a proposed completion date of February 27, 2009. On December 16, 2008, URE submitted an addendum to the Mitigation Plan stating it had been completed on December 12, 2008. On February 13, 2009, Reliability*First* accepted the revised Mitigation Plan. The Mitigation Plan was approved by NERC on February 25, 2009. The Mitigation Plan for this violation is designated as MIT-08-1408 and was submitted as non-public information to FERC on February 27, 2009 in accordance with FERC orders.

URE took the following actions to immediately mitigate the risk to the BPS: (1) performed an immediate review of records; (2) management requested an exhaustive review of records to identify any further instances of improper access – this review led to the discovery of an additional sixteen instances (included within the alleged violation description); (3) immediately revoked access; and (4) instituted immediate process improvements to address root causes of the alleged violations, including eliminating a telecommunications access group which had previously been given unintended access to control center routers and switches, and eliminating an unauthorized practice of 'cloning' an access badge from another individual.

URE's Mitigation Plan MIT-08-1408 required URE to:

1. perform an exhaustive review of records to identify any further instances of non-compliance;
2. immediately revoke authorization for access to Critical Cyber Assets for any additional instances of employees or contractors not meeting the requirements of the Standard;
3. immediately perform process improvements including:
    a. eliminate telecommunications access group which had previously been given unintended access to control center routers/switches;
    b. eliminate an unauthorized process of 'cloning' an access badge from another individual;
    c. remediate the bulk data load processing issue;
    d. implement an additional crosscheck verification for all organizations utilizing this process going forward;
    e. modify the process of verifying background checks and completion of required training to ensure accurate processing of employees' access, prior to authorizing access to critical facilities; and
4. request an independent review of critical asset access processes by its operational risk management team.

URE certified on March 2, 2009 that its Mitigation Plan MIT-08-1408 was completed on February 27, 2009. On March 2, 2009, URE also submitted evidence of completion of the Mitigation Plan MIT-08-1408. As evidence of completion, URE submitted the following:

[33] The Verification of Completion incorrectly states that URE submitted its Certification of Completion on October 24, 2008.

1. A table showing the details of each of the 19 instances that an URE employee was granted access to Critical Cyber Assets, either unescorted physical access and/or cyber access;
2. router administration log dated April 28, 2009;
3. Operator history report, dated May 15, 2009;
4. letter from URE director of NERC Compliance to Reliability*First*, dated August 12, 2009;
5. HR Management System Screen Prints;
6. Security Awareness Training Attendance Sheet showing training on June 16, 2008;
7. e-mail dated November 18, 2008 noting result of the initial discovery;
8. Screen Print of URE's Security Database;
9. e-mail dated April 28, 2009 noting a request that these employees be denied access;
10. e-mail dated April 28, 2009 confirming the removal of employees from having access;
11. Revised Procedure;
12. employee communication regarding 'cloning' activity;
13. Overview of URE's compliance procedure for CIP-004-1;
14. Access control and access review procedure;
15. Training procedure;
16. Personal Risk Assessment program; and
17. review of completed Mitigation Plan by URE Internal Auditor, dated February 27, 2009.

Reliability*First* reviewed the evidence URE submitted in support of its certification of completion. On August 12, 2009, Reliability*First* verified that Mitigation Plan MIT-08-1408 was completed in accordance with its terms.

PRC-005-1 R2.1 (*SPP200800061*)

URE's Mitigation Plan to address its violation of PRC-005-1 R.2.1 was submitted to SPP RE on October 22, 2008 with a proposed completion date of January 31, 2009. The Mitigation Plan was accepted by SPP RE on October 30, 2008 and approved by NERC on November 10, 2008. The Mitigation Plan for this violation is designated as MIT-07-1121 and was submitted as non-public information to FERC on November 10, 2008 in accordance with FERC orders.

URE's Mitigation Plan MIT-07-1121 required URE to:

1. revise the procedure to incorporate clarification of the requirements and provide guidance;
2. send a memo to all facilities re-iterating requirement to adhere to the battery maintenance and testing plan;
3. send second memo to facilities with clarification concerning the application of the procedure;
4. revise components of the procedure to clarify the maintenance requirements;
5. implement tracking and quality control checks to identify documentation or performance issues before the deadline;
6. provide status update of the Mitigation Plan to SPP RE; and
7. provide final status update of the Mitigation Plan to SPP RE.

URE certified completion of Mitigation Plan MIT-07-1121 and submitted evidence of

completion of the Mitigation Plan MIT-07-1121 on January 30, 2009. As evidence of completion, URE submitted the following:

1. e-mails providing Mitigation Plan status updates on October 31, 2008 and January 30, 2009;
2. interrogatories showing the quarterly and semi-annual inspections summary listing the generating facility, the inspection frequency, most recent inspection date and immediately prior inspection date ; and
3. a summary of the battery capacity test performed at its generating facilities.

SPP RE reviewed the evidence URE submitted in support of its certification of completion. On June 17, 2009, SPP RE verified that Mitigation Plan MIT-07-1121 was completed in accordance with its terms.

CIP-004-1 R2.1 (*SPP200800065*)

URE's Mitigation Plan to address its violation of CIP-004-1 R.2.1 was submitted to SPP RE on February 6, 2009[34] with a proposed completion date of February 27, 2009. The Mitigation Plan was accepted by SPP RE on February 19, 2009 and approved by NERC on February 25, 2009. The Mitigation Plan for this violation is designated as MIT-08-1416 and was submitted as non-public information to FERC on February 27, 2009 in accordance with FERC orders.

URE's Mitigation Plan MIT-08-1416 required URE to:

1. Exhaustive Review of Records: After learning of the first identified instance of improper access, management requested an exhaustive review of records to identity any further instances. This review, performed in phases, led to the discovery of twelve instances;
2. Immediate Access Revocation: Upon learning of each instance of inappropriate access, authorization for access to Critical Cyber Assets was immediately revoked;
3. Immediate Process Improvements:
   i. Eliminated telecommunications access group which had previously been given unintended access to control center routers/switches;
   ii. An unauthorized process of 'cloning' an access badge from another individual has been eliminated;
   iii. To remediate the bulk data load processing issue, additional cross-check verification has been implemented for all organizations utilizing this process going forward;
   iv. The process of verifying completion of required training has been modified to ensure accurate processing of employees' access, prior to authorizing access to critical facilities; and
4. Process Review by Internal Audits: An independent review of our critical asset access processes has been requested of our operational risk management team.

URE certified on March 2, 2009 that its Mitigation Plan MIT-08-1416 was completed on February 27, 2009. On March 2, 2009, URE also submitted evidence of completion of the Mitigation Plan MIT-08-1416. As evidence of completion, URE submitted the following:

[34] The Mitigation Plan was signed on November 25, 2008.

1. evidence of personnel risk assessment and training, revocation of access until background check and training completed, bulk upload process documentation, and badge request process;
2. evidence of immediate revocation of access, evidence of comprehensive re-check;
3. evidence of revocation of access for telecommunications technicians;
4. evidence that badge cloning has been prohibited, evidence of improved bulk upload process; and
5. evidence of improved process for adding new personnel, and evidence of annual review of personnel risk assessment and training.

SPP RE reviewed the evidence URE submitted in support of its certification of completion. On December 4, 2009, SPP RE verified that Mitigation Plan MIT-08-1416 was completed in accordance with its terms

CIP-004-1 R3 (*SPP200800066*)
URE's Mitigation Plan to address its violation of CIP-004-1 R.3 was submitted to SPP RE on February 6, 2009 with a proposed completion date of February 27, 2009. The Mitigation Plan was accepted by SPP RE on February 19, 2009 and approved by NERC on February 25, 2009. The Mitigation Plan for this violation is designated as MIT-08-1417 and was submitted as non-public information to FERC on February 27, 2009 in accordance with FERC orders.

URE's Mitigation Plan MIT-08-1417 required URE to:

1. Exhaustive Review of Records: After learning of the first identified instance of improper access, management requested an exhaustive review of records to identity any further instances. This review, performed in phases, led to the discovery of 19 instances;
2. Immediate Access Revocation: Upon learning of each instance of inappropriate access, authorization for access to Critical Cyber Assets was immediately revoked;
3. Immediate Process Improvements:
   i. Eliminated telecommunications access group which had previously been given unintended access to control center routers/switches;
   ii. An unauthorized process of 'cloning' an access badge from another individual has been eliminated;
   iii. To remediate the bulk data load processing issue, additional cross-check verification has been implemented for all organizations utilizing this process going forward;
   iv. The process of verifying completion of required training has been modified to ensure accurate processing of employees' access, prior to authorizing access to critical facilities; and
4. Process Review by Internal Audits: An independent review of our critical asset access processes has been requested of our operational risk management team.

URE certified on March 2, 2009 that its Mitigation Plan MIT-08-1417 was completed on February 27, 2009. On March 2, 2009, URE also submitted evidence of completion of the Mitigation Plan MIT-08-1417. As evidence of completion, URE submitted the following:

1. evidence of personnel risk assessment and training, revocation of access until background check and training completed, bulk upload process documentation and badge request process;
2. evidence of immediate revocation of access, evidence of comprehensive re-check;
3. evidence of revocation of access for telecommunications technicians;
4. evidence that badge cloning has been prohibited, evidence of improved bulk upload process; and
5. evidence of improved process for adding new personnel, and evidence of annual review of personnel risk assessment and training.

SPP RE reviewed the evidence URE submitted in support of its certification of completion. On December 4, 2009, SPP RE verified that Mitigation Plan MIT-08-1417 was completed in accordance with its terms.

Statement Describing the Proposed Penalty, Sanction or Enforcement Action Imposed[35]

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 and October 26, 2009 Guidance Orders,[36] the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on May 14, 2010. The NERC BOTCC approved the Settlement Agreement, including Reliability*First* and SPP RE's imposition of a financial penalty, assessing a total penalty of seventy-seven thousand dollars ($77,000) 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 violations of NERC Reliability Standards;
2. URE self-reported the violations;
3. Reliability*First* and SPP RE reported that URE was cooperative throughout the compliance enforcement process;
4. URE has a compliance program, as discussed above;
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, as discussed above; and

[35] *See* 18 C.F.R § 39.7(d)(4).
[36] *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "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).

7. Reliability*First* and SPP RE 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 proposed penalty of seventy-seven thousand dollars ($77,000) is appropriate for the violations and circumstances in question, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to Order No. 693, 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.

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 and material:

a) URE Self Report of FAC-009-1 R1 (RFC200800072) dated July 22, 2008, included as Attachment a;[37]
b) URE Self Report of VAR-002-1a R1 (RFC200800073)dated July 22, 2008 included as Attachment b;

[37] The Self-Report also references a possible FAC-008-1 R1violation. Within its facility ratings methodology, URE included a description of its sag investigation practices, and URE stated in its Self-Report that it needed to clarify this description to more accurately reflect its current practices. At the time of the Self-Report, Reliability*First* determined that this clarification did not in itself require the pursuit of a possible violation of FAC-008-1 and processed the Self-Report under the docket number assigned to FAC-009-1, based upon the facts described in RFC200800072.

c) URE Self Report of PRC-005-1 R2 (RFC200800074) dated July 23, 2008, included as Attachment c;
d) URE Self Report of CIP-004-1 R2.1 (RFC200800110) and CIP-004-1 R3 (RFC200800111) dated November 21, 2008, included as Attachment d;
e) SPP RE's Self Report of PRC-005-1 R2 (SPP200800061) dated September 4, 2008, included as Attachment e;
f) URE Self Report of CIP-004-1 R2.1 (SPP200800065) dated November 25, 2008, included as Attachment f;
g) URE Self Report of CIP-004-1 R3 (SPP200800066) dated November 25, 2008, included as Attachment g;
h) Settlement Agreement by and between Reliability*First*, SPP RE and URE entered into as of February 26, 2010, included as Attachment h;
    1. URE's Mitigation Plan of FAC-009-1 R1 (RFC200800072) designated as MIT-08-1107 dated September 2, 2009 and Certification of Completion contained therein, included as Attachment a to the Settlement Agreement;
    2. Reliability*First*'s Verification of Completion of the Mitigation Plan of FAC-009-1 R1 (RFC200800072) dated July 5, 2009, included as Attachment b to the Settlement Agreement;
    3. URE's Mitig*ation* Plan of VAR-002-1a R1 (RFC200800073) designated as MIT-08-1108 dated July 22, 2009, included as Attachment c to the Settlement Agreement;
    4. URE's Cert*ifica*tion of Completion of VAR-002-1a R1 (RFC200800073) dated April 3, 2009, included as Attachment d to the Settlement Agreement;
    5. Reliability*First*'s Verification of Completion of the Mitigation Plan of VAR-002-1a R1 (RFC200800073) dated September 11, 2009, included as Attachment e to the Settlement Agreement;
    6. URE's Mitigation Plan of PRC-005-1 R2 (RFC200800074) designated as MIT-08-1109 dated July 23, 2008, included as Attachment f to the Settlement Agreement;
    7. URE's Certification of Completion of PRC-005-1 R2 (RFC200800074) dated October 22, 2008, included as Attachment g to the Settlement Agreement;
    8. Reliability*First*'s Verification of Completion of the Mitigation Plan of PRC-005-1 R2 (RFC200800074) dated September 8, 2009, included as Attachment h to the Settlement Agreement;
    9. URE's Mitigation Plan of PRC-005-1 R2 (SPP200800061) designated as MIT-07-1121 dated October 22, 2008, included as Attachment i to the Settlement Agreement;
    10. URE's Certification of Completion of PRC-005-1 R2 (SPP200800061) dated January 30, 2009, included as Attachment j to the Settlement Agreement;

11. SPP RE's Verification of Completion of the Mitigation Plan of PRC-005-1 R2 (SPP200800061) dated June 17, 2009, included as Attachment k to the Settlement Agreement;
12. URE's Mitigation Plan of CIP-004-1 R2.1 (RFC200800110) and CIP-004-1 R3 (RFC200800111) designated as MIT-08-1408 dated November 21, 2008, included as Attachment l to the Settlement Agreement;
13. URE's Certification of Completion of CIP-004-1 R2.1 (RFC200800110) and CIP-004-1 R3 (RFC200800111) dated March 2, 2009, included as Attachment m to the Settlement Agreement;
14. Reliability*First*'s Verification of Completion of the Mitigation Plan of CIP-004-1 R2.1 (RFC200800110) and CIP-004-1 R3 (RFC200800111) dated August 12, 2009, included as Attachment n to the Settlement Agreement;
15. URE's Mitigation Plan of CIP-004-1 R2.1 (SPP200800065) designated as MIT-08-1416 dated February 6, 2009, included as Attachment o to the Settlement Agreement;
16. URE's Certification of Completion of CIP-004-1 R2.1 (SPP200800065) dated March 2, 2009, included as Attachment p to the Settlement Agreement;
17. SPP RE's Verification of Completion of the Mitigation Plan of CIP-004-1 R2.1 (SPP200800065) dated December 4, 2009, included as Attachment q to the Settlement Agreement;
18. URE's Mitigation Plan of CIP-004-1 R3 (SPP200800066) designated as MIT-08-1417 dated February 6, 2009, included as Attachment r to the Settlement Agreement;
19. URE's Certification of Completion of CIP-004-1 R3 (SPP200800066) dated March 2, 2009, included as Attachment s to the Settlement Agreement; and
20. SPP RE's Verification of Completion of the Mitigation Plan of CIP-004-1 R3 (SPP200800066) dated December 4, 2009, included as Attachment t to the Settlement Agreement.

A Form of Notice Suitable for Publication[38]

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

[38] *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:

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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/ *Rebecca J. Michael*

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Attachments