

July 6, 2010

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

**Re: NERC Notice of Penalty,
FERC Docket No. NP10-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty,¹ which includes one (1) Non-Public Exhibit pertaining to a NERC Registered Entity. The Notice of Penalty set forth in the Non-Public Exhibit contains, in whole or in part, violations of the CIP-002 through CIP-009 Reliability Standards that were resolved by Settlement Agreement. The Registered Entity admitted to the violation and agreed to the penalty. This filing is submitted in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).²

The Non-Public Exhibit identifies the Reliability Standards at issue, the basis for the violation and the impact to reliability, and the ultimate disposition. A summary is set forth below:

NERC Violation ID*	Reliability Std.	Req. (R)	Approved VRF ³	Basis for Violation	Total Penalty (\$)
SERC200900264	CIP-004-1	4	Medium	The Registered Entity did not maintain lists of personnel with authorized unescorted physical access to Critical Cyber Assets. Also, it did not revoke physical access rights to Critical Cyber Assets within seven days for personnel who no longer required access. Specifically, it	0

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 (2008). Mandatory Reliability Standards for the Bulk-Power System, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R. § 39.7(c)(2).

² See 18 C.F.R. § 39.7(c)(2).

³ Violation Risk Factors (VRF) are the current FERC approved assignments for the Reliability Standards.

			<p>discovered during a routine review of its access list that there was one instance where an individual had authorized unescorted physical access to the backup control center, which had not been properly revoked once access was no longer needed. The back up control center contains Critical Cyber Assets.</p> <p>Concurrent with a position transfer within Registered Entity, a request was made to the corporate Security Department to remove an employee's physical access to the primary and backup control centers. The request was processed and confirmed on the same day as the transfer, well within the seven-day requirement. However, due to an administrative keying error, access to a stairwell adjacent to the backup control center was revoked rather than access to the backup control center.</p> <p>This clerical error was discovered during a quarterly review by the designated manager. The Registered Entity explained that upon discovery, this access was immediately revoked and the Registered Entity's records showed that at no time did the individual access the back up control center, after the date that access should have been removed.</p> <p>The Registered Entity completed its Mitigation Plan to address the violation, which included implementing a computer application to process physical access requests, on a daily basis; reconciling the list of personnel with authorized unescorted physical access to Critical Cyber Assets with the results from the computer application, on a weekly basis; and conducting an internal review to ensure the access requested corresponds with the access granted.</p>	
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*Due to the confidential nature of the CIP-002 through CIP-009 violations, the Registered Entity's name is not identified.

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.

Notices and Communications

Notices and communications with respect to this filing may be addressed to the following:

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*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.

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Conclusion

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Rebecca J. Michael

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