



**NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION**

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

NP10-140
PJM

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	Basis for Violation	Total Penalty (\$)
RFC200900116	CIP-004-1	4	Lower	The Registered Entity identified three separate instances of non-compliance with CIP-004-1 R4. The Registered Entity did not maintain its access list (giving access to unauthorized personnel) or revoke access within seven days for personnel who no longer required access to Critical Cyber	5,600

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).

				<p>Assets.</p> <p>First, one employee no longer needed the user access roles currently assigned to him for two Critical Cyber Assets. According to CIP-004-1 R4.1, upon submission of this change in access, the Registered Entity had seven calendar days to update the list of personnel with authorized cyber access and to revoke the access to Critical Cyber Assets. Because of an administrative error, the list of personnel with cyber access to Critical Cyber Assets was not updated, and the user's access roles were not changed for these Critical Cyber Assets. The user's access was later reauthorized by the manager on December 1, 2008 and subsequently revoked. The change in access was not noticed and therefore, it was not reflected in the list of employees with access to Critical Cyber Assets.</p> <p>Second, an employee was provided access to a Critical Cyber Asset that was not indicated on the initial or subsequent authorization forms. Specifically, an employee's access to a system was not indicated on the employee's initial or subsequent access authorization forms, nor was this permission added to the list of personnel with access to Critical Cyber Assets. The employee was not aware of this access, and there is no logging that would indicate that the employee used this specific role.</p> <p>Third, an employee was provided unauthorized access to a system. The employee was not aware of this access, and there is no logging that would indicate that the employee used this specific role.</p> <p>The Registered Entity mitigated this violation by: (1) correcting and removing unauthorized access to Critical Cyber Assets; (2) adding an additional human resource for account authorization activities; (3) implementing software to identify and control changes to Critical Cyber Assets; (4) implementing daily account authorization reconciliation for the access lists; (5) peer review of access change reports; and (6) providing additional training for personnel with Critical Cyber Asset administration privileges.</p> <p>As a part of its account reconciliation effort, the</p>	
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				Registered Entity discovered four hundred and eighty-eight (488) privileges not reflected in the CIP-004-1 R4 access list, categorized as follows: (1) Clerical Errors for Authorized Access, (2) Clerical Errors Leading to Unauthorized Access, (3) Technical Implementation Errors, and (4) Discrepancies Lacking Evidence. The Registered Entity resolved these discrepancies as part of its Mitigation Plan.
RFC200900139	CIP-004-1	3.2	Lower	<p>The Registered Entity did not complete personnel risk assessments for five contractors within seven years of the initial personnel risk assessments completed for those contractors. Three of the contractors in question were security guards, and two of the contractors in question were service vendors.</p> <p>The Registered Entity mitigated the violation by: (1) performing a review of individuals with access to Critical Cyber Assets requiring personnel risk assessments; (2) completing outstanding personnel risk assessments; (3) documenting the procedure required for reviewing and administering seven-year background checks; (4) designating secondary and tertiary individuals responsible for the personnel risk assessment process; (5) and establishing a process to resolve discrepancies in the contractor list.</p>

*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:

<p>Gerald W. Cauley President and Chief Executive Officer David N. Cook* Vice President and General Counsel North American Electric Reliability Corporation 116-390 Village Boulevard Princeton, New Jersey 08540-5721 (609)452-8060 (609) 452-9550 – facsimile gerry.cauley@nerc.net david.cook@nerc.net</p> <p>Timothy R. Gallagher* President and Chief Executive Officer ReliabilityFirst Corporation 320 Springside Drive, Suite 320 Akron, Ohio 44333 (330) 456-2488 tim.gallagher@rfirst.org</p> <p>Raymond J. Palmieri* Vice President and Director of Compliance ReliabilityFirst Corporation 320 Springside Drive, Suite 320 Akron, Ohio 44333 (330) 456-2488 ray.palmieri@rfirst.org</p> <p>*Persons to be included on the Commission's service list are indicated with an asterisk. NERC requests waiver of the Commission's rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Rebecca J. Michael* Assistant General Counsel Holly A. Hawkins* Attorney V. Davis Smith* Attorney (admitted in IN only) North American Electric Reliability Corporation 1120 G Street, N.W. Suite 990 Washington, D.C. 20005-3801 (202) 393-3998 (202) 393-3955 – facsimile rebecca.michael@nerc.net holly.hawkins@nerc.net davis.smith@nerc.net</p> <p>Robert K. Wargo* Manager of Compliance Enforcement ReliabilityFirst Corporation 320 Springside Drive, Suite 320 Akron, Ohio 44333 (330) 456-2488 bob.wargo@rfirst.org</p> <p>Michael D. Austin* Compliance Enforcement Specialist ReliabilityFirst Corporation 320 Springside Drive, Suite 320 Akron, Ohio 44333 (330) 456-2488 mike.austin@rfirst.org</p>
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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

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
gerry.cauley@nerc.net
david.cook@nerc.net

Rebecca J. Michael
Assistant General Counsel
Holly A. Hawkins
Attorney
V. Davis Smith
Attorney (admitted in IN;
not admitted in D.C. or NJ)
North American Electric Reliability
Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
rebecca.michael@nerc.net
holly.hawkins@nerc.net
davis.smith@nerc.net