



## INTEROFFICE MEMO

EUGENE WATER & ELECTRIC BOARD  
CORPORATE SERVICES DIVISION

*Rely on us.*

August 25, 2009

TO: Commissioners Farmer, Brown, Cassidy, Cunningham, and Ernst

FROM: Gene Austin, Compliance Auditor  
Dean Ahlsten, Reliability Officer

RE: NERC Reliability Operations and Compliance Update

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### **Issue Statement**

This is an update of EWEB's on-going activities in support of compliance with NERC Reliability Standards. This update will include the Critical Infrastructure Protection (CIP) Compliance Project, on-going compliance work supporting the new Transmission Operator registration; the upcoming Compliance Audit, and the status of compliance violations.

### **Background**

FERC – Federal Energy Regulatory Commission

NERC – North American Electric Reliability Corporation

WECC – Western Electricity Coordinating Council

In 2006, FERC authorized NERC to develop mandatory Reliability Standards, monitor these Standards for compliance, and determine and levy penalties and sanctions for non-compliance with the Standards by owners, operators, and users of the bulk power system. WECC is NERC's regulatory representative for the Western Interconnection. EWEB works through WECC with regard to compliance with NERC Reliability Standards.

Compliance with NERC Reliability Standards became enforceable by law on June 18, 2007.

The NERC Reliability Standards define the obligations and specific Requirements of electric utilities and other related entities that operate, plan, and use the bulk power system in North America.

### **Discussion**

Reliability Standards represent a compilation of best industry practices throughout the North

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American continent. The applicability of these Standards to each entity correlates to the entity's registered function(s). EWEB's Compliance Registry is comprised of eight registrations.

***Transmission Operator, EWEB's 8th Registration***

EWEB received notification from NERC in mid-2009 that our application to add the Transmission Operator (TOp) function to our Compliance Registry was approved. EWEB's eight functional registrations now include: Generator Owner, Generator Operator, Transmission Owner, Transmission Operator, Purchasing Selling Entity, Load Serving Entity, Transmission Planner, and Distribution Provider. Together these registrations comprise 78 Standards with more than 700 discrete Requirements with which EWEB must demonstrate compliance through documentation and evidence.

A Gap Analysis was completed to determine EWEB's state of compliance with these newly assigned TOp Standards and Requirements. Of the 28 TOp Standards, EWEB has identified 11 Standards with which compliance gaps or violations exist for 98 Requirements. Self-Reports for non-compliances and Mitigation Plans were promptly developed and submitted to WECC to resolve these non-compliant conditions. Completion of these Mitigation Plans and other compliance related work will require extensive effort between now and June 2010.

EWEB has a conditional safe harbor status with WECC until that time. WECC has committed to hold in abeyance related penalties and sanctions pending WECC's final acceptance of completion and NERC/FERC approval.

***Critical Infrastructure Protection (CIP) Compliance Project***

By the end of 2009, EWEB is required to comply with eight (8) Critical Infrastructure Protection (CIP) Standards which comprise 171 discrete Requirements and sub-requirements. Intellibind Consulting has been retained to design and develop systems, procedures, work processes, and associated training materials necessary to ensure compliance with these CIP Standards. Implementation will complete on or before December 31, 2009.

The CIP Standards define the physical and cyber security requirements necessary to protect cyber systems and assets needed for the reliable operation of the electric system.

The CIP compliance project is comprised of three phases as depicted on the attached project plan; including Procedure Development, Training, and Implementation. To date, this project is on schedule and about to embark on worker training to be followed by implementation. In alignment with a detailed project plan, approximately 35% of the documentation is complete and work has commenced on seven of the eight CIP Standards. These CIP Standards are considered among the most difficult to achieve compliance with, of all NERC Reliability Standards.

As an example: CIP-006; Physical Security of Critical Cyber Assets, Requirement R1.1 states "...A physical security plan... at a minimum, shall address the following:

Processes to ensure and document that all Cyber Assets within an Electronic Security Perimeter also reside within an identified physical Security Perimeter. Where a completely enclosed ("six-wall") border cannot be established, the Responsible Entity shall deploy and document alternative measures to control physical access to the Critical Cyber Assets."

## NERC Reliability and Compliance August Update (continued)

To comply with this 1 of 27 prescribed requirements in CIP-006, planning and scheduling has begun to provide “six-wall” security to EWEB’s Trading Floor, The Dispatch Operations Center, and the Data Center. This work includes physical construction, new electronic access controls, and electronic monitoring. The 27 prescribed requirements and sub-requirements of CIP-006 address the need for; A Physical Security Plan, Physical Access Controls, Monitoring Physical Access, Logging Physical Access, Access Log Retention, and Maintenance and Testing.

### ***2009 Compliance Audit***

EWEB will participate in its first NERC Compliance Audit scheduled for October 20, 21 and 22. This Audit will be conducted off-site at WECC Headquarters in Salt Lake City, Utah. Based on the preparation effort and an independent review, EWEB is well prepared for the Audit.

The NERC and WECC 2009 Implementation Plans identified 36 Standards to be target Standards for 2009 Audit and review. EWEB subject matter experts in specific fields and numerous other administrative and technical support personnel have been prepared documentation and evidence to demonstrate compliance with these 36 NERC Reliability Standards. In the August 14<sup>th</sup> Notification of the Audit from WECC, 30 of the 36 target Standards were specially identified by WECC to be subject to the Off-site Audit. Per WECC instructions, documentation and evidence will be delivered in both hard-copy and electron format no later than October 6<sup>th</sup>.

In July EWEB contracted with GDS Associates to conduct a Pre-Audit Assessment of the 36 Standards targeted for Audit. GDS’s observations confirmed anticipated areas of concern in our compliance documentation and evidence. As importantly, GDS provided insight to the WECC Auditor’s perspective and expectations based on their experience. The GDS external review was very beneficial and will work to further assure a positive Audit experience.

### ***Compliance Violation Status***

Closure of two compliance violations from 2007 and 2008 have been approved by WECC and are pending approval at NERC. Lastly, FERC will have final review and approval.

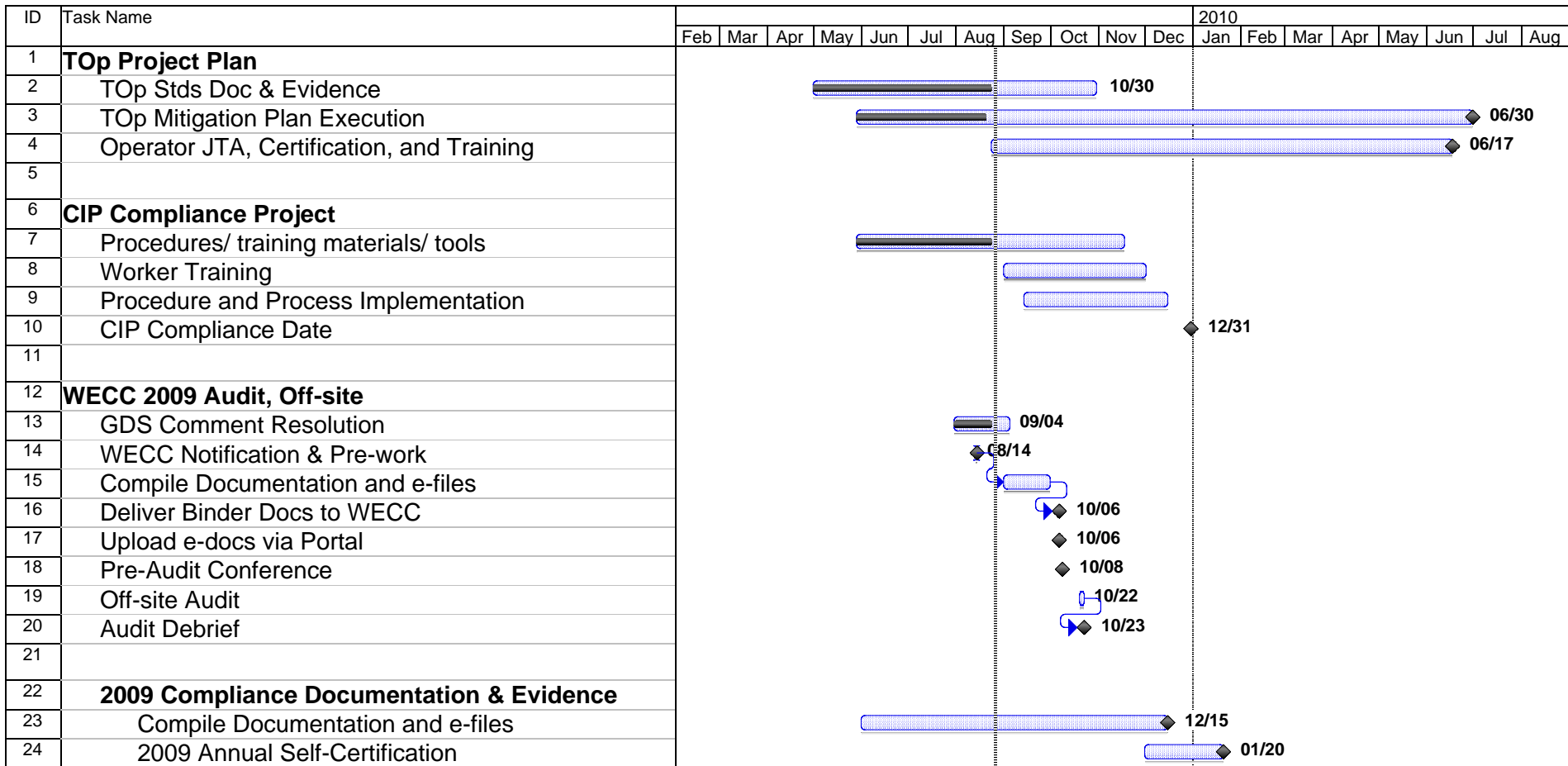
In 2009, EWEB has identified compliance violations with 6 Standards that resulted from either a revised Standard or external assessment. Concurrently, EWEB submitted to WECC associated Mitigation Plans and Schedules to correct the non-compliance conditions. All Mitigation Plans will be complete and ready for WECC compliance review and acceptance by December 31<sup>st</sup>.

EWEB has submitted to WECC a request for Settlement Discussions to commence regarding these open violations.

### **Recommendations/ Requested Action**

No action requested at this time. Staff will provide additional Board updates regarding on-going activities in support of compliance with NERC Reliability Standards.

# EWEB NERC Compliance 2009-2010 Project Plan



Task  Progress  Milestone  External Milestone