



NARUC's **Critical Infrastructure Efforts***

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NARUC Staff Subcommittee on Water
and

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on Critical Infrastructure

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**The future depends
on what we do
in the present.**

Mahatma Gandhi



NARUC AD HOC COMMITTEE & STAFF SUBCOMMITTEE ON CRITICAL INFRASTRUCTURE

LEADERSHIP:

- **Committee Chair:**

Hon. Sandy Hochstetter, Chairman
Arkansas Public Service Commission

- **Staff Subcommittee Chair:**

Thomas Pearce

Public Utilities Commission of Ohio

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NARUC Ad Hoc Committee on Critical Infrastructure

- What is it?
- What has been done so far?
- What activities is it currently engaged in?
- What are the different federal and state roles re: CIP?
- Costs/Financing of Critical Infrastructure?
- What can you & your commission do?

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What is the Ad Hoc CCI?

- Formation – 09/11/01 events
- Focus – state response to
 - Cost recovery
 - Evaluation of utility response
 - Coordination & communication
 - Between states
 - Between states & federal government

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Overview & Background
of
NARUC Ad Hoc Committee
on
Critical Infrastructure

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Past Work & Paths Taken

- AHCCI resolutions
- DOE Office of Electricity Delivery & Energy Reliability project re: CI protection issues regarding gas & electric sectors, including regional exercises
- Filing of official comments
- Creation of model protocols
- Surveys/inventories
- Energy assurance guidelines
- Workshops & meetings
- TSP outreach



Cost Recovery

- *Model State Protocols for Critical Infrastructure Protection Cost Recovery* published by NARUC in 2004
- **Cost recovery protocol:** the process used by a commission to determine whether a utility can recover money
- **Cost recovery mechanism:** the specific technique used to recover money
- The protocol underlies the logic path for cost recovery; the mechanism (e.g. a rate adjustment clause) is how the commission authorizes the actual recovery.
- Models for both protocols and mechanisms already exist in the states



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Past Resolutions

- Energy & Telecom Emergency Preparedness
- Security Measures Of Water Utilities
- EPRI's Power Crisis Report/Elec. Enterprise Security Assess.
- Sensitive Document Handling/Recovery of Security Costs
- FERC's CEII Policy
- **Water Systems Vulnerability Assessments re: Public Health Security & Bioterrorism Preparedness and Response Act of 2002**
- TSP & GETS in State Emergency & Contingency Planning
- Protection of CI & Allocation of Supporting Resources
- State, Federal & Local Actions for Vegetation Management
- Utility Sector Interdependencies
- PUC Participation in NERC's Standard Development Process
- Examination of Natural Gas Emergency Response Plans
- **Pandemic Preparedness**
- **Preparing For/Responding To Natural & Manmade Disasters**



Technical briefs

- Paper 1: *Issue Paper on Critical Infrastructure Protection*
- Paper 2: *Utility and Network Interdependencies: What State Regulators Need to Know*
- Paper 3: *A Primer on Energy Assurance for Public Utility Commissions*
- Paper 4: *State Government Organizational Issues, Roles, and Policy*
- Paper 5: *Regional Coordination and Intergovernmental Communication in the Energy Sector*
- Paper 6: *Critical Infrastructure Information Sharing Rules: Model Protocols for States*
- Paper 7: *NARUC Survey on State Energy Assurance Planning*
- Paper 8: *NARUC Survey on Gas Curtailment Planning*



Preparedness

- “I didn’t see it coming”





Key Elements of an effective security program include:

- Vulnerability Assessments
- Information Management and Intelligence
- Threat Detection
- Physical Security and Deterrence
- Cyber-Security
- Consequence Management
- Event Mitigation and
- Counter-Terrorism



Security Related Expenditure Standard

- Right-to-know vs. need-to-know
- Prudent and used & useful
- Costs:
 - One-time, non-capital expenditures;
 - Ongoing security expenditures; or
 - Capital expenditures.
- Mandated by government or driven by utilities
- Begin a collaborative dialogue similar to that take for Y2K expenditures



Commission Challenges

- Quasi-judicial model of operations/procedural openness
- Economic regulation vs. CIP
- *Ex parte* restrictions
- Regulatory lag
- Market restructuring
- Rulemaking processes – uncertainty, inconsistency

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CIP Priorities (NRRI Study)

Commissions may:

- Develop *guidelines for cost recovery* & evaluate utility investment prudence
- Manage *sensitive information* & disclosure concerns in accordance with FOI procedures
- Establish methods for rapid *information sharing* & communication
- Update *emergency response* plans
- Understand utility *interdependencies*
- Engage in *regional coordination* and response



Regional Coordination Protocols

1. PUC priority – regional coordination
2. Share utility information
3. Coordinate intrastate strategy
4. Promote regional coordination
5. MOU among regional regulators
6. Develop joint strategies
7. Regional input into state plans

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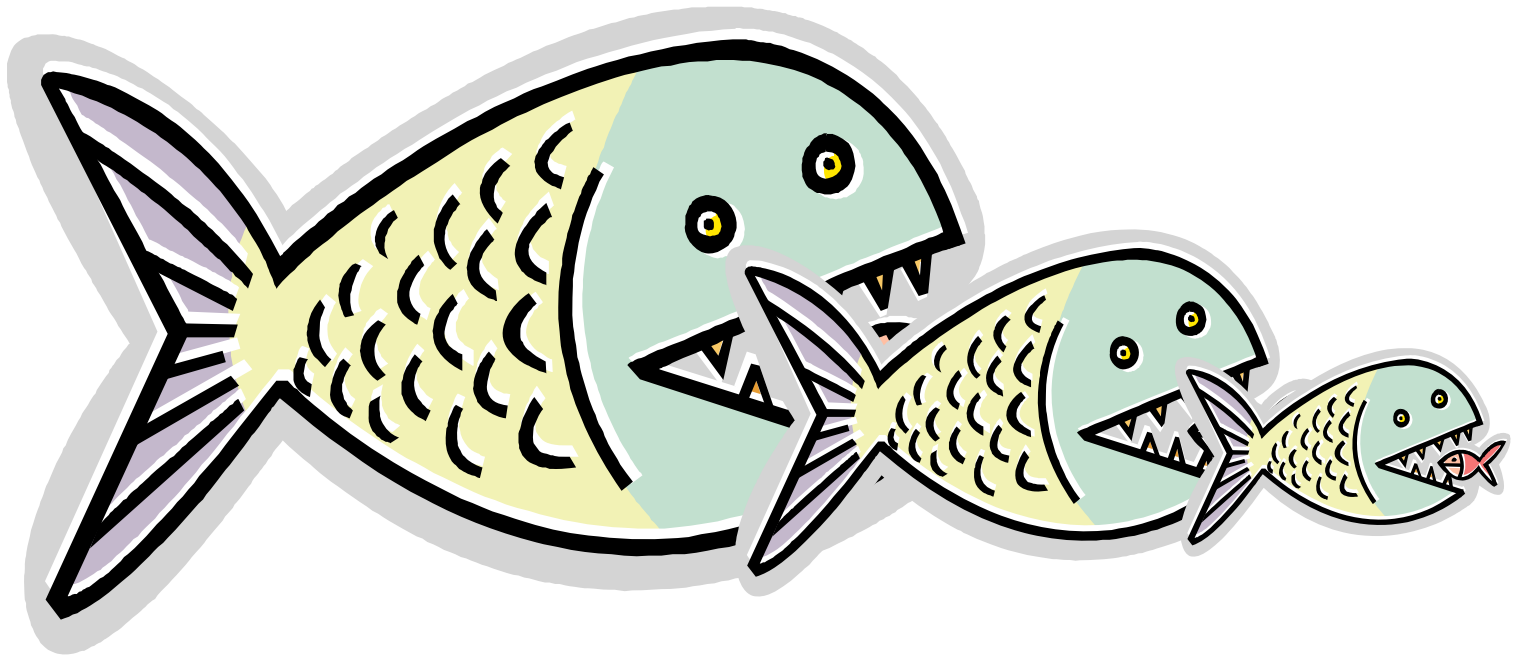


Regional Coordination Protocols (continued)

8. Identify conflicts
9. Policies with unintended consequences
10. Develop standards for information reporting
11. Multi-state utilities info to all regional jurisdictions
12. Develop system planning best practices
13. Encourage efforts of national associations (NARUC, NAWC, ASDWA, etc.)

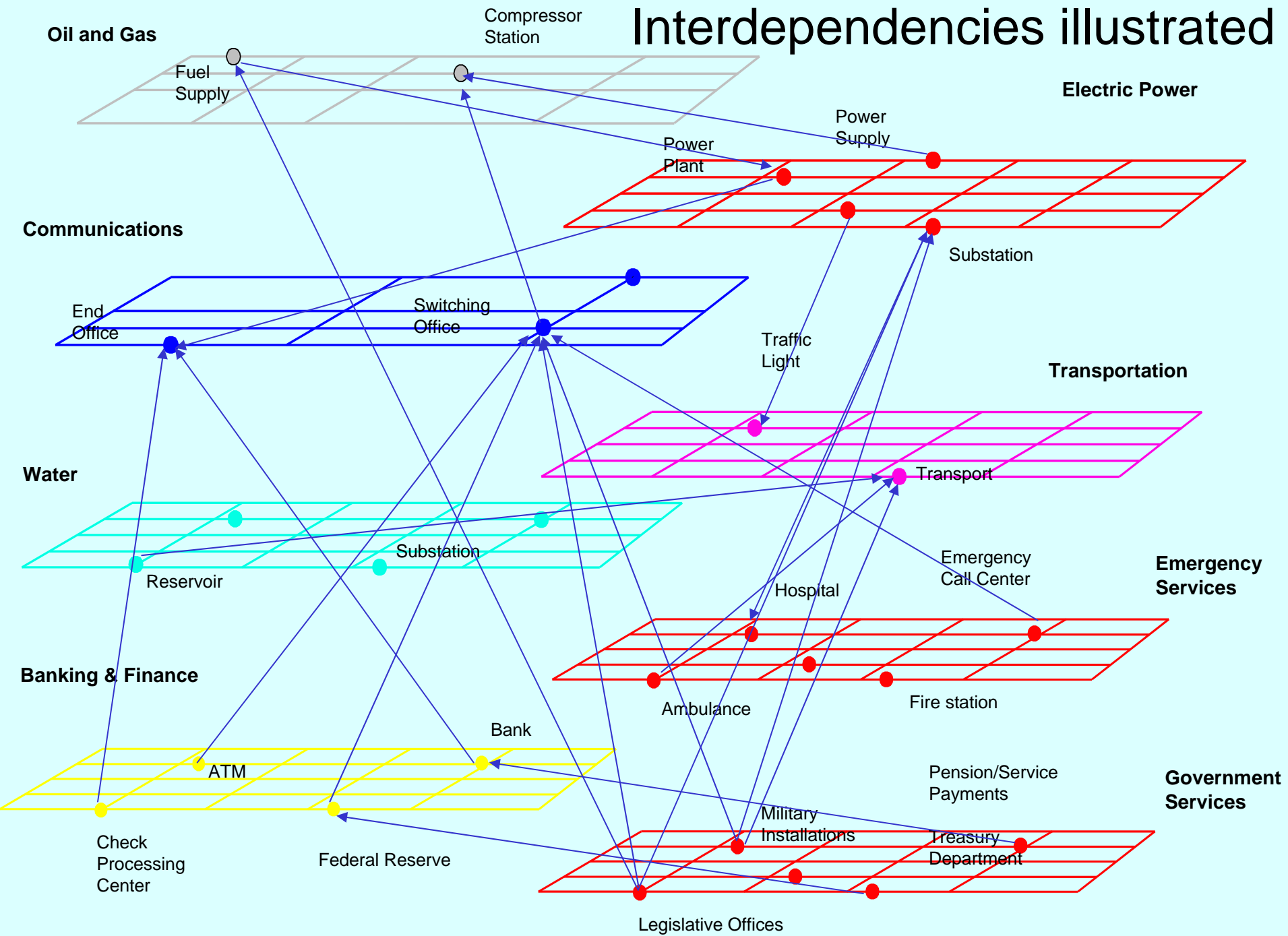


SUPPLY CHAIN & INTERDEPENDENCIES



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Interdependencies illustrated



Interdependency Protocols

- Become more informed on interdependencies
- Establish minimum standards for security and reliability
- Require utility emergency plans to recognize interdependencies
- Develop procedures to deal with sensitive information



Interdependency Protocols (continued)

- Require utilities provide information needed for assessment
- Build technical capacity and resources for evaluation purposes
- Consider infrastructure integrity and interdependency fully in the context of rate reviews and other proceedings
- Have a communication and information sharing strategy recognizing interdependencies
- Coordinate regulatory policies and activities with other agencies





Protection of Critical Infrastructure Information: Next Steps

- States should seek to implement forward-looking FOIA exemption rules that properly address broad utility sectors and associated processes
- PUCs/PSCs and/or Regional-State Committees should appoint a security information coordinator to manage CI information
- PUCs/PSCs, Regional-State Committees, NARUC, or Regional Associations or Conferences should initiate the development of MOU or other appropriate instruments with the FERC regarding CI information (CII) sharing
- PUCs/PSCs, Regional-State Committees, NARUC, or Regional Associations or Conferences should initiate the development of MOU or other appropriate instrument with NERC regarding CI information sharing

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Current Initiatives

- **DHS Project:**
 - Telecom & water sectors
 - Project implementation summit 4/17-18
 - Regional CIP training, technical assistance, & briefings on state/federal CII sharing policies & practices
 - Briefing document & series of “NCSL Energy Institutes” for state legislatures
- **DOE Project:**
 - Update Gas Curtailment survey work



Domino Effect

- **“HOW WAS I TO KNOW?”**





Summary Observations: Regulatory Roles & Responsibilities For CIP

- Recognize interdependencies
- Ask utilities key questions
- Designate a security coordinator
- Engage in utility assurance planning
- Coordinate and communicate regionally
- Participate in NERC & FBI's Infragard



ACRONYMS

- CEII – Critical Energy Infrastructure Information (FERC)
- CII – Critical Infrastructure Information
- ESF – Emergency Support Function
- EMAC – Emergency Management Assistance Compact
- FACAA – Federal Advisory Committee Act
- FEMA – Federal Emergency Management Agency
- FOIA – Freedom of Information Act
- GCC – Government Coordinating Council
- GETS – Governmental Emergency Telecommunications System
- NCS – National Communications Sector
- NIMS – National Incident Management System
- NIPP – National Infrastructure Protection Plan
- NRIC – Network Reliability & Inter-operability Council
- NRP – National Response Plan
- PCII – Protected Critical Infrastructure Information
- PFO – Principle Federal Official
- SCC – Sector Coordinating Council
- SSA – Sector Specific Agency
- SSP – Sector Specific Plan
- TSP – Telecommunications Service Priority
- WPS – Wireless Priority Service



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Thoughts To Go



Additional Resources

<http://www.naruc.org/CIPcostrecovery/>

- Model State Protocols for Critical Infrastructure Protection Cost Recovery
- Cost Recovery Workshops Summary, April 2004
- Final Issue Paper on Cost Recovery
- Cost Recovery NARUC/NRRI Survey

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Additional Resources

<http://www.naruc.org/CIPbriefs/>

- All 8 Technical papers
- Contacts for NARUC's Ad Hoc Committee on Critical Infrastructure & NARUC'S Ad Hoc Staff Subcommittee on Critical Infrastructure

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Nothing is predestined: The obstacles of your past can become the gateways that lead to new beginnings.

Ralph Blum

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QUESTIONS?

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