Testimony on behalf of the
National Association of Regulatory Utility Commissioners (NARUC)

by

The Honorable John W. Betkoski
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before the

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"States' Perspectives on Energy Security Planning, Emergency Preparedness, and State Energy Programs"

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Summary for Testimony of the Honorable John W. Betkoski
On Behalf of
The National Association of Regulatory Utility Commissioners (NARUC)

- Critical Infrastructure Protection (CIP) is the shared responsibility of the private sector, local and state governments, and the federal government to protect the nation's critical infrastructure. No single government agency, industry group, or company can secure the energy infrastructure.
- PUCs and the companies they regulate have successfully maintained the security of the grid and other infrastructure for generations, but new skills and approaches are required, and partnership is more important than ever.
- Because State commissions are responsible for ensuring that investments are prudent, we are implicated in infrastructure protection by default – for example, a prudent cybersecurity investment is a prudent investment.
- Since 2010, NARUC has been an active leader in the arena of cybersecurity, providing training and technical assistance that has since led to training on cyber in 45 states, the District of Columbia, Canada, and elsewhere. Our primers and technical assistance documentation have been essential resources for the power sector, used in proceedings in every US state, and have been influential in the development of cyber strategies in the EU and Canada.
- Critical to NARUC's ability to engage State public utility commissions on these issues and provide them with timely information and tools they need to keep utilities secure, has been the federal government's continued funding support.
- Reviewing the prudency of cost recovery requests from utility investments includes, but is not limited to, analyzing and assessing regulated utilities' plans and infrastructure security practices to ensure they are cost-effective while reflecting established best practices and recommending improvements where appropriate. State commissions will also share and receive threat and outage information from other State and federal government entities and industry.
- State regulatory utility commissions are a key interface between government and the energy industry. Energy assurance activities vary by State, in every State the commissions have some role partnering with State energy offices, and in several, it is a role led by public utility commissions.
- NARUC's ongoing efforts to keep State public utility commissions informed about relevant critical infrastructure protection topics and its ability to effectively support the NARUC Critical Infrastructure Committee's activities is contingent upon continued federal funding support.
- Energy assurance, infrastructure protection and cybersecurity are best approached through nimble and complex decision-making that balances functionality, security and cost.

Good morning Chairman Upton, Ranking Member Rush, and members of the Subcommittee on Energy. Thank you for the opportunity to testify today. I am John W. Betkoski, III. I currently serve as the First Vice President of the National Association of Regulatory Utility Commissioners (NARUC) and Vice Chairman of the Connecticut Public Utilities Regulatory Authority. I am very pleased that this Subcommittee is interested in hearing from the States regarding energy security planning, emergency preparedness, and State energy programs.

NARUC is a non-profit organization founded in 1889. Our members are the public utility commissions in all 50 States and the U. S. territories. NARUC's mission is to serve the public interest by improving the quality and effectiveness of public utility regulation. Our members regulate the retail rates and services of electric, gas, water, and telephone utilities. We are obligated under the laws of our respective States to assure the establishment and maintenance of essential utility services as required by public convenience and necessity and to ensure that these services are provided under rates, terms, and conditions of service that are just, reasonable, and non-discriminatory.

Let me start with this: Critical Infrastructure Protection (CIP) is the shared responsibility of the private sector, local and State governments, and the federal government to protect the nation's critical infrastructure. No single government agency, industry group, or company can secure the energy infrastructure. Collaboration at all levels is essential for securing an interdependent infrastructure that is owned, operated, hosted, and regulated by many entities, all of which have specific roles, resources, and expertise for infrastructure protection.

Public Utility Commissions (PUCs) approve cost recovery for prudent utility investments, including those that are essential for assuring energy security, cybersecurity, and critical infrastructure protection. PUCs and the companies they regulate have successfully maintained the security of the grid and other infrastructure for generations, but as today's hearing highlights, the threats are changing, new skills and approaches are required, and partnership is more important than ever.

PUC regulators are not emergency responders, law enforcement, or national security officials. However, we have long been active in addressing our responsibility to mobilize investments to meet public interests like reliability and security. PUCs also oversee service quality, consumer protection, and safety

measures. PUC's are also responsible under State statute and the Federal Power Act for ensuring that utilities provide services that are affordable, available, reliable, and safe.

Because State commissions are responsible for ensuring that investments are prudent, we are implicated in infrastructure protection by default – for example, a prudent cybersecurity investment is a prudent investment. Regulators need to understand these investments to address them appropriately in proceedings. And, as with many areas at the intersection of public policy and markets, Commissions can also help set expectations for utility performance in infrastructure protection that helps align company behavior with the public interest.

After the terrorist attacks of September 11 2001, NARUC created a new committee called the NARUC Committee on Critical Infrastructure. Since its inception, the Committee has developed strategies and approaches to assure that their regulated industries take appropriate, cost-effective measures to improve critical infrastructure protection. This Committee has been instrumental in coordinating best practices and providing expertise and support to affected regulators and companies after incidents such as Hurricanes Katrina and Rita, Superstorm Sandy,

man-made attacks like the Metcalfe Substation attack, and most recently cybersecurity.

Since 2010, NARUC has been an active leader in the arena of cybersecurity. The NARUC Resolution Regarding Cybersecurity, adopted on February 17, 2010, calls for "continued vigilance against all potential sources of cyber threat to be both prepared to prevent cyber attacks capable of disrupting utility services and to mitigate the harmful consequences of such attacks in order to protect public health, public safety and the economy." Key tenets of the resolution encourage Commissioners to prioritize the consistent monitoring and evaluating of cybersecurity in collaboration with agencies having expertise in cyber threat management and mitigation to remain effective in meeting evolving cyber challenges. Commissioners are encouraged to regularly revisit their own cybersecurity policies and procedures "to ensure that they are in compliance with applicable standards and best practices."

Spurred by that common recognition of the threat, NARUC began providing training and technical assistance that has since led to training on cybersecurity in 45 states, the District of Columbia, Canada, and elsewhere. Our primers and technical assistance documentation have been essential resources for the power

sector, used in proceedings in every U.S. State, and have been influential in the development of cyber strategies in the EU and Canada. Our most recent primer and training modules were released in February 2017 and I recommend it to any policymaker looking for a sophisticated, but "plain English" guide to the issue. NARUC is a key component in bridging our partnerships with federal agencies, the private sector, and across States. As I referenced before, these partnerships are essential to success.

Critical to NARUC's ability to engage State public utility commissions on these issues and provide them with timely information and tools they need to keep utilities secure, has been the federal government's continued funding support. The corpus of commission expertise has been built in part thanks to cooperative agreements with the US Department of Energy's Office of Electricity Delivery and Energy Reliability, which has provided grant funding for these initiatives. In 2018, we will depend on the $800,000 of support that we use for a variety of reliability technical assistance and coordination efforts, much of which is focused on the cybersecurity implications of the power sector. In 2018, this primer will be updated to be a self-sustaining manual for regulators, including template language guiding utility performance in cybersecurity in a way that introduces consistency among States. This consistency will allows utilities to meet the needs of States and

regions without needing to invent new cybersecurity strategies 50 times over. The production of this manual—in partnership with industry, cybersecurity experts, and State and federal partners, and the essential next round of training to assure its use and deployment—depends on the funded relationship we have with DOE.

Reviewing the prudency of cost recovery requests for utility investments includes analyzing regulated utilities' plans and infrastructure security practices to ensure they are both cost-effective and reflect established best practices for critical infrastructure security (including responding to threats and recommending improvements where appropriate). State commissions also share and receive threat and utility outage information with and from other agencies in their States (such as emergency management and State energy offices), the Governor's office, federal partners, and industry.

State PUCs are a key interface between government and the energy industry. Energy assurance activities vary by State but in every State, the commissions have some role partnering with State energy offices, and in several, it is a role led by public utility commissions. In 2009, NARUC co-authored *Energy Assurance Guidelines* with NASEO, which informed NARUC members as we built out our cybersecurity work. NARUC has since worked with its members to implement

key aspects of those plans. There is a need to provide continued outreach to States on critical infrastructure events and to continue to support policies and procedures that improve preparedness. NARUC has been working with State commission staff and federal energy assurance staff to create the most efficient and streamlined process for communicating priority issues that require immediate responses. With DOE, NARUC maintains an energy assurance coordinators list that has been used to monitor and respond to several energy emergencies. It remains an important tool for coordination between State officials during natural disasters or to manage attacks from malicious actors.

Under NARUC's current agreement with the U.S. DOE, we continue to facilitate networks and learning among States on energy assurance planning. An example is NARUC's encouragement and facilitation of State commissions' participation in the Energy Emergency Assurance Coordinator network.

Again, we remain committed to partnership with other entities that play their own roles, with their own jurisdictions, legal mandates from their legislatures, and expertise, such as NASEO, NGA, and NEMA. NARUC uses DOE funding to exercise and train our utilities and regulators together, and also to help facilitate understanding among State legislatures, consumer advocates, and other important

stakeholders about their roles to encourage prudent security investment through incentives and transparent policymaking. NARUC will continue to support the deployment of State energy emergency exercises by facilitating scenarios; developing exercises; and engaging in new types of exercises and resources to help use these tools to prepare States for emerging issues such as cybersecurity, geomagnetic disturbances, electromagnetic pulse, pandemics, intentional attacks, natural disasters, and potential as-yet-unidentified threats. One clear near-term area of focus is the need for improved mutual assistance and expanding this concept into the cyber arena.

NARUC has also led in training stakeholders in applying risk management tools to evaluate emerging threats. With federal funding support from the DOE's Office of Electricity Delivery & Energy Reliability, NARUC is a leader in the development of risk-based structures that enable improved decision-making by stakeholders in all PUCs and elsewhere. In 2018, protocols for integrating risk into evaluations supporting resilience cost recovery will be developed.

Although our funding is primarily from DOE—our primary federal partner—NARUC additionally coordinates with agencies and organizations such as the U.S. Department of Commerce, with whom we have a small cooperative agreement.

We also maintain communications with the Department of Homeland Security, the Federal Energy Regulatory Commission, and the North American Electric Reliability Corporation to keep NARUC's members and other State government staff informed of new threats and other relevant critical infrastructure protection topics, as well as available resources and tools to help with preparedness, prevention, mitigation, response, and recovery.

NARUC's ongoing efforts to keep State commissions informed about relevant critical infrastructure protection topics and its ability to effectively support the NARUC Critical Infrastructure Committee's activities is contingent upon continued federal funding support. We'd like to express our gratitude for the federal government's continued support of NARUC's work on critical infrastructure protection.

In conclusion, energy assurance, infrastructure protection, and cybersecurity are best approached through nimble and complex decision-making that balances functionality, security, and cost. Planning for, protecting against, detecting, and responding to natural disasters and malicious attacks must take into account a dynamic relationship of systems, physical components, people, and their functions.

State utility regulators can and should:

- Create expertise within their own organizations
- Ask the right questions of utilities
- Assess their own cybersecurity and information protection capabilities
- Set expectations through consistent language that drives utility performance; and
- Continue to build on partnerships with stakeholders and others to achieve success.

State Commissions are already doing significant work to protect the grid, but the key to successful cybersecurity is the continued partnership between States and federal agencies, and between public and private actors, to create a cybersecurity structure and culture that can meet current needs while also being flexible enough to meet the ever-evolving threats. Our federal partnerships are indispensable to our shared success.

NARUC and its members believe that the issues of energy security planning, emergency preparedness, and State energy programs are excellent examples of how federalism is supposed to work. Thank you for your attention and I look forward to any questions you may have.