

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

by

The Honorable Colette D. Honorable
PRESIDENT, NARUC
CHAIRMAN, ARKANSAS PUBLIC SERVICE COMMISSION

before the

**United States Senate
Committee on Energy and Natural Resources**

hearing on

**“Keeping the Lights On- Are We Doing Enough to Ensure the Reliability and Security of
the U.S. Electric Grid?”**

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Good morning Chair Landrieu, Ranking Member Murkowski, and members of the Committee. My name is Colette D. Honorable and I am President of the National Association of Regulatory Utility Commissioners. I also serve as Chairman of the Arkansas Public Service Commission, and will be appearing before you in both capacities today.

Thank you for the opportunity to testify about the security of our nation's electricity grid. For the nation's economic utility regulators, ensuring the safe, reliable, and affordable delivery of utility services is Job No. 1. This has been our responsibility for the last century and a quarter, and will continue to be so now and into the future.

NARUC is a quasi-governmental, non-profit organization founded in 1889. Our membership includes the public utility commissions serving all States and 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 such utility services as may be required by the public convenience and necessity and to assure that such services are provided under rates and subject to terms and conditions of service that are just, reasonable, and non-discriminatory.

I have three main thoughts I would like to share with you today. First, State utility regulators share your concern about the resilience of our electric system -- for us it is "job number one" every day. Second, the resilience that our ratepayers expect includes not only security from physical and cyber attacks but also the ability to bounce back from severe storms and to

accommodate the impacts of marketplace changes and shifting regulations. Third, NARUC and the States have already taken several specific important steps toward a more resilient grid. We welcome a conversation about what more can be done.

Today's hearing on Grid Security is timely, and not simply because of the recent press reports on the potential physical threats to our electricity infrastructure. The seriousness of the Metcalf incident is not being discounted; the details of that event are alarming and serve as a lesson about the damage dedicated bad actors can do to our infrastructure. But physical threats are one of the several vulnerabilities facing our utility infrastructure every day. These vulnerabilities can take the shape of a sophisticated Metcalf-style attack or a massive storm such as Hurricane Sandy, which devastated utility infrastructure in the Mid-Atlantic and blacked out parts of New York and New Jersey for weeks.

In Arkansas, we've experienced a little bit of everything in recent years, from consecutive 100-year ice storms to vandalism on our electricity infrastructure. Our utilities responded admirably in all of these circumstances, as they have across the country. In fact, in August 2013, a lone assailant attempted several physical attacks on our electric infrastructure in Central Arkansas. In three separate incidents, this assailant allegedly downed a 500 kV power line, caused substantial damage to a control house and damaged a 115 kV transmission system. He was apprehended on October 11, 2013 after a fourth attempt. The suspect admitted responsibility for the attacks and was indicted on several federal criminal violations. If convicted, he will face life in prison. Credit must be given to the swift, excellent work of the Joint Terrorism Task Force comprised of the FBI, Department of Homeland Security, the Department of Energy, ATF and local law

enforcement. They responded promptly to the incident, engaged with the respective utility companies and met with me and my staff during the investigation and demonstrated the benefits of such a strong collaborative effort.

From an economic regulator perspective, we view all of these vulnerabilities through the broad lens of “resilience.” In these days of seemingly more frequent severe weather, concerns over cyber and physical security, and general day-to-day operation of the transmission system, providing reliable service may not be enough anymore. I am not here to defend or demean the industry, but the lights almost always stay on despite the numerous challenges and vulnerabilities our utilities face each day. And when the power does go out, service is restored as quickly and safely as possible. Clearly, though, the times and threats we face are changing. The utilities own and operate the infrastructure themselves, and although we regulate them, they know, or should know, their infrastructure better than anyone. Therefore our regulated utilities are ultimately responsible for shoring up the safety and security of their systems.

But as their regulators, and as the public officials entrusted with the responsibility of ensuring the safe, reliable, and affordable delivery of utility services, this is our responsibility as well. For the most part, the public has faith that their utility system works as intended, but this faith can be shaken following a prolonged outage due to a damaging storm or in the wake of a devastating pipeline accident that destroys homes and neighborhoods, or worse. As citizens, we are thankful for federal, State and local law enforcement and intelligence officials who are focused on criminal accountability and national security. As regulators, our duty is to ensure reliable utility service in the face of all threats, no matter the source.

The good news is that despite the grid's many potential threats and vulnerabilities, these systems are resilient and the entities that own and operate them are quite skilled at restoration when something does go wrong. As we contemplate the critical issue of securing our nation's electric system, a key component of a resilient system is the ability to restore service. Though at times customers will become disgruntled or angry when the lights are out for an extended period of time –the owners, operators and utilities (be they investor owned, cooperatives or municipals) do an excellent job overall of restoring service following a disruption. This industry spends billions of ratepayer dollars per year to train, educate and drill its employees and maintain physical infrastructure so that the lights come back on after an incident as quickly and safely as possible. It is here that the role of the States is paramount.

State regulators are responsible for setting the rates for the nation's investor-owned distribution systems and the regulations that govern them. In vertically integrated systems, this jurisdiction encompasses generation as well as intrastate transmission. In essence, the State commissions determine who pays, how much they pay, and for what they are paying. This responsibility is all the more important in times of economic downturn, where in some cases people must decide whether to pay an electric bill or buy medicine. State commissioners take this responsibility seriously as it is solely our responsibility and not within federal jurisdiction. My colleagues and I must weigh the cost of every proposed improvement to those systems under our jurisdiction against the risks and benefits of how these investments will impact consumers. There are always a wide range of options available and we must make sure we do all we can to maximize ratepayer benefits. In the end, we all would like to have the safest most reliable system possible,

and that is everyone's goal. However, we all must remember that at the end of the day, it is the consumer who will be paying for every decision that is made.

NARUC Efforts

At the NARUC level, we are taking a direct focus on infrastructure resilience. In fact, during my tenure as NARUC President, resilience and reliability issues are among my top priorities. Our staff is working around the clock on resilience and security issues. Through our Committee on Critical Infrastructure, we are doing a tremendous amount of outreach and education through workshops, seminars, trainings, and much more. On the cybersecurity front, NARUC has launched a multi-state tour, running training and educational seminars at our member offices throughout the country. This training is the foundation of the information sharing called for in Executive Order 13636, and relies on the partnerships that NARUC maintains locally and federally, with industry and our various government counterparts. In fact, by this summer, NARUC will have initiated cybersecurity technical assistance with 35 of our members. The only limitation in our ability to continue this training is resources. We are grateful for the support of the U.S. Department of Energy to allow us to come as far as we have. We are ready and look forward to continuing this important work.

We are now expanding our focus on the broader topic of resilience and incorporating the multitude of challenges our infrastructure faces, from cyber and physical security to natural and manmade disasters. We recognize the complexity of resilience and therefore have adopted an innovative approach, bridging scientific and policy expertise to tackle the challenges in front of us. This is evident in NARUC's participation with the National Research Council's Resilient

America Roundtable, which will help decisionmakers use risk analysis to guide investments in resilience. NARUC is also working with the National Academy of Sciences to identify and share best practices for operations and technological and management practices for resilience. Our innovative approach also includes preparing for new federal emissions-reductions rules that will have different impacts throughout the country. When we shift from one dominant generation resource to another, we also trade for a new set benefits and challenges. For example, while many States have taken leadership efforts to reduce carbon emissions well in advance of any federal environmental regulation, some of my colleagues have concerns of localized reliability issues due to the retirement of coal-fired generation assets in their States. There is no silver bullet and, because of this, State regulators are well prepared to manage the shift in a way that manages risks and optimizes benefits. It is my humble but strongly held belief that this balance – this management of risk – could not be achieved by market forces alone. Regulators ensure this balance is struck in the face of an ever-evolving resource mix.

We are getting up to speed on all these developments—and quickly—because utilities are coming to us with requests to harden their system while making it cleaner and more efficient. NARUC has published two papers on resilience since November 2013 (“Resilience in Regulated Utilities”

http://www.naruc.org/Grants/Documents/Resilience%20in%20Regulated%20Utilities%20ONLINE%2011_12.pdf, and “Resilience for Black Sky Days”

[http://www.naruc.org/grants/Documents/Resilience for Black Sky Days Stockton Sonecon F INAL ONLINE Feb5.pdf](http://www.naruc.org/grants/Documents/Resilience%20for%20Black%20Sky%20Days%20Stockton%20Sonecon%20F%20INAL%20ONLINE%20Feb5.pdf)), sharpening our focus as we prepare to act on these investments.

State commissions seek investments that deliver the best system improvements and ratepayer

value. To do so, a risk-based approach is preferred. As utilities seek cost-recovery for resilience investments, we need them to prioritize what aspects of their systems are the most vulnerable so we can put ratepayer money where it is most needed first. Whether these investments address physical or cyber security, they must prudently meet the prevailing expectations of reliability and affordability for the ratepayer.

The NARUC papers are conversation starters; we are engaging with our members and other key stakeholders, including utility organizations, the federal government, companies, and consumer advocates, to broaden and inform the dialogue. NARUC staff is planning on holding workshops for commissioners and commission staff around the country to address these issues. The kinds of questions we will be asking are: Do we need new tools to evaluate risks? What kinds of contingency plans may be necessary to prepare for a 1-in-a-100-year storm that may never come, or occur frequently for some States?

Importantly, this requires appropriate dialogue and discussion in an open and transparent way. As always, we rely upon the utilities which own and operate the systems to know where any vulnerabilities may be; they need to communicate with us so we can determine how best to move forward. To that end, we look to the North American Electric Reliability Corporation to develop standards for 100 kV lines and above. The NERC process has worked well thus far. We look forward to working with them to implement a risk-based approach to resilience across and between the transmission and distribution systems.

Conclusion

As we've seen across the country, States are pursuing innovative approaches to ensuring grid resilience. Some States deal with hurricanes and tornados more frequently than others; we hope to learn from our colleagues in States that are already pursuing resilience programs. While NARUC does not endorse any particular approach, we can learn a great deal from the States who are pushing ahead with new and innovative policies. We applaud their efforts.

Typically the general public doesn't think of resilience until after a hurricane or other natural or manmade disaster knocks out power to millions. We hope that, through these discussions, we can all be better prepared.

Thank you and I'd be happy to answer any questions at the appropriate time.