

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of **Ohio** :
Power Company for Authority to : Case No. 13-2385-EL-SSO
Establish a Standard Service Offer :
Pursuant to Section 4928.143, Revised :
Code, in the Form of an Electric Security :
Plan. :

In the Matter of the Application of **Ohio** :
Power Company for Approval of Certain : Case No. 13-2386-EL-AAM
Accounting Authority. :

**PREFILED TESTIMONY
OF
THOMAS PEARCE
ENERGY & ENVIRONMENT DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

May 20, 2014

1 1. Q. Please state your name and your business address.

2 A. My name is Thomas Pearce, and my business address is 180 East Broad
3 Street, Columbus OH 43215.
4

5 2. Q. By whom are you employed and what is your position?

6 A. I am employed as a Senior Utility Specialist in the Energy Assurance Unit
7 of the Energy and Environment Department. My responsibilities include
8 critical infrastructure protection, cyber and physical security, and energy
9 assurance issues.
10

11 3. Q. Please summarize your educational background and work experience.

12 A. I received a B.S. in Petroleum Engineering from Marietta College and a
13 J.D. from Capital University Law School. I have been employed on the
14 Staff of the Public Utilities Commission of Ohio (“Commission”) since
15 1985. Having begun as a legal intern to the Director of the Utilities Depart-
16 ment, I became employed full-time and have progressed and have been pro-
17 moted through a series of positions at the Commission including in the Util-
18 ities Department’s Telecommunications Division, the Energy & Water
19 Division, the Forecasting Division, and the Gas, Water & Steam Division,
20 as well as in the Energy & Environment Department’s Facilities, Siting and
21 Environmental Analysis Division.
22

1 4. Q. Are there additional qualifications and work experience relevant to your
2 work as a member of the Staff?

3 A. I have participated in numerous, relevant trainings for my prior and current
4 positions, including a 2-week Regulatory Basics course at the Institute for
5 Public Utilities at Michigan State University, trainings offered through the
6 National Regulatory Research Institute, as well as numerous trainings and
7 conferences provided by the National Association of Regulatory Utility
8 Commissioners (NARUC). Presently I serve as a faculty member at the
9 Institute for Public Utilities at Michigan State University and have previ-
10 ously served as a faculty member at the Wisconsin Public Utilities Institute
11 at the University of Wisconsin. Presently, I serve NARUC as a contrib-
12 uting member of: the NARUC Staff Subcommittee on Education and
13 Research; the NARUC Staff Subcommittee on Gas; and the NARUC Staff
14 Subcommittee on Critical Infrastructure (and as a founding member of its
15 predecessor, the Ad-Hoc Staff Subcommittee on Critical Infrastructure).
16 Previously, I served as Chair of the NARUC Staff Subcommittee on Gas,
17 and I presently serve as Chair of the NARUC Staff Subcommittee on Crit-
18 ical Infrastructure. Additionally, I have lectured here and abroad as a regu-
19 latory expert with a number of international partners, and through the aus-
20 pices of NARUC, the U.S. Energy Association, and the U.S. Agency for
21 International Development (USAID). Through my Chairmanship of the
22 NARUC Staff Subcommittee on Critical Infrastructure, I serve as

1 NARUC's representative on the U.S. government's Energy Government
2 Coordinating Council (Energy GCC) and regularly work and interact with
3 critical infrastructure protection, physical security, and cybersecurity offi-
4 cials at the U.S. Department of Energy (DOE) and its Idaho National Labs,
5 the U.S. Department of Homeland Security (DHS) and its ICS-CERT team,
6 the National Security Council, the Federal Bureau of Investigation (FBI),
7 the Federal Energy Regulatory Commission (FERC), and the Ohio Depart-
8 ment of Public Safety (including Ohio Homeland Security and the Ohio
9 Emergency Management Agency), among others.

10
11 5. Q. Have you testified in prior proceedings before the Commission?

12 A. Yes. I have provided Staff testimony in numerous proceedings over the
13 years regarding matters pertaining to gas cost recovery, forecasting, and
14 supply planning.

15
16 6. Q. What is the purpose of your testimony in this proceeding?

17 A. My testimony in this proceeding is regarding AEP Ohio's ("AEP" or
18 "Company") request for implementation of a NERC Compliance and
19 Cybersecurity Rider (NCCR).

1 7. Q. What are Staff's observations regarding this proposed (NCCR) rider?

2 A. As it is currently constructed, AEP's proposed rider is designed to recover
3 anticipated costs from the Company's compliance with NERC requirements
4 and costs expected to be realized by the Company for additional cyber-
5 security protection efforts and potential compliance with future standards,
6 best practices, guidelines, and/or regulatory frameworks. Staff requested
7 the Company to identify its annual costs to comply with existing NERC
8 requirements on an annual basis for the past five years, as well as a projec-
9 tion of such annual compliance costs over the next five years. The Com-
10 pany noted that its cybersecurity initiatives and costs associated with the
11 current gridSMART rider would remain in the gridSMART projects and
12 not contained within this proposed NERC Compliance and Cybersecurity
13 Rider. The Company noted that the costs contemplated to be part of the
14 NERC Compliance and Cybersecurity Rider would be associated with
15 activities for new requirements or new interpretations of existing require-
16 ments; however, AEP was unable identify or project any such costs at this
17 time.

18
19 8. Q. What are Staff's recommendations regarding this proposed (NCCR) rider?

20 A. At this time, given the lack of specifics or any quantifiable expenses antici-
21 pated to be expended, Staff believes that approval of such a rider would be
22 tantamount to providing the Company with a blank check for expenditures

1 in this area without a reasonable estimate or projection of such expendi-
2 tures. Staff is concerned that absent identification of actual expenditures or
3 a reasonable projection of anticipated expenditures associated with known
4 and existing NERC compliance and cybersecurity measures, that imple-
5 mentation of such a rider is premature.

6
7 9. Q. Does Staff have any additional comments regarding the realization of such
8 NERC compliance and cybersecurity costs?

9 A. NERC Critical Infrastructure Protection (CIP) standards compliance has
10 been an iterative process. Presently, electric utilities are being evaluated for
11 compliance with NERC CIP version 3. FERC had previously approved
12 implementation of NERC CIP version 4, but had yet to require full imple-
13 mentation for regulatory compliance. NERC CIP version 5 since has been
14 introduced and FERC has ordered that version 5 be implemented, essen-
15 tially overriding implementation of version 4. As a result and with such
16 rapid changes in versions of the NERC CIP standards, utilities are refining
17 and improving their security postures relative to yet a newer version of CIP
18 standards. When the Company experiences actual, measureable costs asso-
19 ciated with NERC compliance and is better able to quantify its requisite
20 investments in prudent cybersecurity measures, the Staff will be better able
21 to assess the appropriateness and adequacy of such expenditures. However,
22 until such time as the Company is better able to quantify and justify these

1 expenditures, implementation of such a proposed rider is considered prema-
2 ture. Therefore, it is Staff's opinion that this proposed rider not be imple-
3 mented at this time.

4
5 10. Q. Does this conclude your testimony?

6 A. Yes, it does. However, I reserve the right to submit supplemental testi-
7 mony as described herein, as new information subsequently becomes avail-
8 able or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of **Thomas Pearce** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 20th day of May, 2014.

/s/ Devin D. Parram

Devin D. Parram

Assistant Attorney General

Parties of Record:

campbell@whitt-sturtevant.com
barthroyer@aol.com
cloucas@ohiopartners.org
cmooney@ohiopartners.org
dconway@porterwright.com
dboehm@bkllawfirm.com
dborchers@bricker.com
edmund.berger@occ.ohio.gov
fdarr@mwncmh.com
gary.a.jeffries@dom.com
gpoulos@enernoc.com
williams@whitt-sturtevant.com
glpetrucci@vorys.com
mhpetricoff@vorys.com
tsiwo@bricker.com
jmcdermott@firstenergycorp.com
jfinnigan@edf.org
jkylercohn@bkllawfirm.com
jfinnigan@edf.org
joseph.clark@directenergy.com
joliker@mwncmh.com
joseph.serio@occ.ohio.gov
judi.sobecki@aes.com

mjsatterwhite@aep.com
mswhite@igsenergy.com
maureen.grady@occ.ohio.gov
mkurtz@bkllawfirm.com
msmalz@ohiopovertylaw.org
nmcdaniel@elpc.org
plee@oslsa.org
philip.sineneng@thompsonhine.com
ricks@ohanet.org
rocco.dascenzo@duke-energy.com
sam@mwncmh.com
swilliams@nrdc.org
casto@firstenergycorp.com
sasloan@aep.com
stephanie.chmiel@thompsonhine.com
stephen.chriss@walmart.com
stnourse@aep.com
tammy.turkenton@puc.state.oh.us
tshadick@spilmanlaw.com
tobrien@bricker.com
tdougherty@theOEC.org
vparisi@igsenergy.com
zkravitz@taftlaw.com

bojko@carpenterlipps.com
lfriedeman@igsenergy.com
lhawrot@spilmanlaw.com
mohler@carpenterlipps.com
haydenm@firstenergycorp.com

whitt@whitt-sturtevant.com
myurick@taftlaw.com
mpritchard@mwncmh.com
schmidt@sppgrp.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

5/20/2014 2:56:36 PM

in

Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Testimony Prefiled Testimony of Thomas Pearce submitted on behalf of the Staff of the Public Utilities Commission of Ohio by Assistant Attorney General Devin Parram electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio