

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio	:	
Edison Company, The Cleveland Electric	:	Case No. 14-1297-EL-SSO
Illuminating Company and The Toledo	:	
Edison Company for Authority to Provide	:	
for a Standard Service Offer Pursuant to	:	
R.C. 4928.143, in the Form of an Electric	:	
Security Plan.	:	

**PRE-FILED TESTIMONY
OF
THOMAS PEARCE
RATES & ANALYSIS DEPARTMENT
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

September 18, 2015

1 1. Q. Please state your name and 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 Rates and Analysis Department. My responsibilities include critical
8 infrastructure protection, cyber and physical security matters, 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”) for many
15 years, having begun as a legal intern to the Director of the Utilities Depart-
16 ment. I then became employed full-time and have progressed and have
17 been promoted through a series of positions at the Commission including in
18 the Utilities Department’s Telecommunications Division, the Energy &
19 Water Division, the Forecasting Division, and the Gas, Water & Steam
20 Division, as well as in the Energy & Environment Department’s Facilities,
21 Siting and Environmental Analysis Division, prior to my present work in

1 the Rates & Analysis Department's Forecasting, Markets, and Corporate
2 Oversight Division.

3
4 4. Q. Are there additional qualifications and work experience relevant to your
5 work as a member of the Staff?

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

1 latory expert with a number of international partners, and through the aus-
2 pices of NARUC, the U.S. Energy Association, and the U.S. Agency for
3 International Development (USAID). Through my Chairmanship of the
4 NARUC Staff Subcommittee on Critical Infrastructure, I serve as
5 NARUC's representative on the U.S. government's Energy Government
6 Coordinating Council (Energy GCC) and regularly work and interact with
7 critical infrastructure protection, physical security, and cybersecurity offi-
8 cials at the U.S. Department of Energy (DOE) and its Idaho National Labs,
9 the U.S. Department of Homeland Security (DHS) and its ICS-CERT team,
10 the National Security Council, the Federal Bureau of Investigation (FBI),
11 the Federal Energy Regulatory Commission (FERC), as well as the Ohio
12 Department of Public Safety (including Ohio Homeland Security and the
13 Ohio Emergency Management Agency), NERC, PJM, and ReliabilityFirst,
14 among others.

15
16 5. Q. Have you testified in prior proceedings before the Commission?

17 A. Yes. I have provided Staff testimony in numerous proceedings over the
18 years regarding matters pertaining to gas cost recovery, forecasting, supply
19 planning, and security issues.
20
21

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

2 A. My testimony in this proceeding is regarding Ohio Edison's (OE's), The
3 Cleveland Electric Illuminating Company's (CEI's) and The Toledo Edison
4 Company's (TE's) ("the Companies' ") request for implementation of a
5 Government Directives Rider ("GDR").

6
7 7. Q. What are Staff's observations regarding this proposed (GDR) rider?

8 A. As it is currently constructed, the Companies' proposed rider is designed to
9 allow for the recovery of future costs due to implementation of programs
10 required by legislative or governmental requirements. The Companies'
11 witness, Ms. Eileen Mikkelsen, cites cyber-security standards such as those
12 established by the North American Electric Reliability Corporation
13 ("NERC") as such potential future directives aimed at distribution infra-
14 structure protection. The Companies noted in response to Staff Data
15 Request #12 that there are no annual costs to comply with NERC require-
16 ments contemplated to be part of the Rider GDR at this time. The Com-
17 panies further noted that they are not anticipating any physical or cyber
18 security costs to be included in Rider GDR at this time. The Companies
19 further noted in their response to Staff that they would plan to file a sepa-
20 rate application for approval of any such costs before recovering them in
21 Rider GDR.

22

1 8. Q. What are Staff's recommendations regarding this proposed GDR rider?

2 A. At this time, given the lack of specifics or any quantifiable expenses antici-
3 pated to be expended, Staff believes that approval of such a rider is
4 extremely premature, given that the currently-enforceable NERC CIP Reli-
5 ability Standards presently do not generally apply to the electric distribution
6 infrastructure, that after NERC CIP Version 5, no new physical security or
7 cybersecurity standards or requirements have been passed and signed into
8 law (in itself, not an expeditious process), nor have there been any dockets
9 or proceedings initiated at the PUCO for other cybersecurity or physical
10 security requirements or standards. Staff remains concerned that absent
11 identification of actual expenditures or a reasonable projection of antici-
12 pated expenditures associated with known and existing physical security
13 and cybersecurity measures, that implementation of such a rider is prema-
14 ture.

15
16 9. Q. Does Staff have any additional comments regarding the realization of such
17 costs for physical security and cybersecurity standards compliance?

18 A. When the Companies experience actual, measureable costs associated with
19 physical security and cybersecurity standards compliance and are better
20 able to quantify their requisite investments in prudent physical and cyber-
21 security measures, Staff will be better able to assess the appropriateness and

1 adequacy of such expenditures. However, until such time as the Com-
2 panies are better able to quantify and justify these expenditures, imple-
3 mentation of such a proposed rider for the recovery of such costs is consid-
4 ered premature. Therefore, it is Staff's opinion that this proposed rider as
5 relates to unknown, non-existent physical security and cybersecurity stand-
6 ards applicable to distribution infrastructure not be implemented at this
7 time.

8
9 10. Q. Does this conclude your pre-filed testimony?

10 A. Yes, it does. However, I reserve the right to submit supplemental testi-
11 mony as described herein, as new information subsequently becomes avail-
12 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 18th day of September, 2015.

/s/ Steven L. Beeler

Steven L. Beeler

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