



The National Regulatory Research Institute

NARUC/NRRI 2003 Survey on Critical Infrastructure Security



**NARUC / NRRI 2003 SURVEY ON
CRITICAL INFRASTRUCTURE SECURITY**

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EXECUTIVE SUMMARY

The National Regulatory Research Institute (NRRI) in 2003 surveyed all 50 state commissions and the District of Columbia Public Service Commission on issues of cost recovery for utilities' security investments and the handling of utilities' sensitive information. This survey follows up a similar one conducted by NRRI in 2002. The surveys were initiated by the National Association of Regulatory Utility Commissioners' Ad Hoc Committee on Critical Infrastructure Security in response to the events of September 11, 2001.

The survey shows that although most commissions report having a "modest" overall role in critical infrastructure protection, they have become more active on homeland security issues. Eighty-two percent of commissions said they now offer Freedom of Information Act coverage for sensitive utility information, compared with 42 percent of respondents in 2002. Although most commissions reported that security-related investments were driven by the utilities themselves, 45 percent reported that utilities filed for recovery of security-related costs, compared to 33 percent in 2002. A large majority of commissions indicated that they do not have specific guidelines for determining the prudence of security investments. This report on the survey results is a companion piece to the *Security-Related Cost Recovery in Utility Network Industries* (forthcoming) which provides guidance on state treatment of utility requests to recover costs of increased security.

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FOREWORD

Utilities have long been responsible to protect their infrastructure and to ensure that utility customers receive reliable and affordable service. State utility commissions establish the service quality and reliability standards utilities must follow and how approved costs are recovered. In order to get an overview of how existing regulatory cost recovery and how proprietary information issues are being treated as America's utilities act to protect their infrastructure, the NARUC Ad Hoc Committee on Critical Infrastructure asked the NRRI to conduct a short survey that follows up on an earlier survey. The survey indicates significant changes from the NRRI survey conducted in the spring of 2002.

Connie O. Hughes, Chair
NARUC Ad Hoc Committee on Critical Infrastructure
Commissioner, New Jersey Board of Public Utilities

INTRODUCTION

The Ad Hoc Committee on Critical Infrastructure Security of the National Association of Regulatory Utility Commissioners (NARUC) asked the National Regulatory Research Institute (NRRI) to conduct a survey of the state public utility commissions regarding security-related issues in the aftermath of Sept. 11, 2001. The focus of the survey is on cost recovery for utilities' security investments and the sharing and handling of utilities' sensitive information by the commissions.

NRRI developed and sent out a seven-question survey in July 2003. NRRI received responses from the District of Columbia and all but one of the 50 state public utility commissions. The information from the survey is intended to help inform the regulatory and security communities and improve the safety and security of the nation's utility infrastructure.

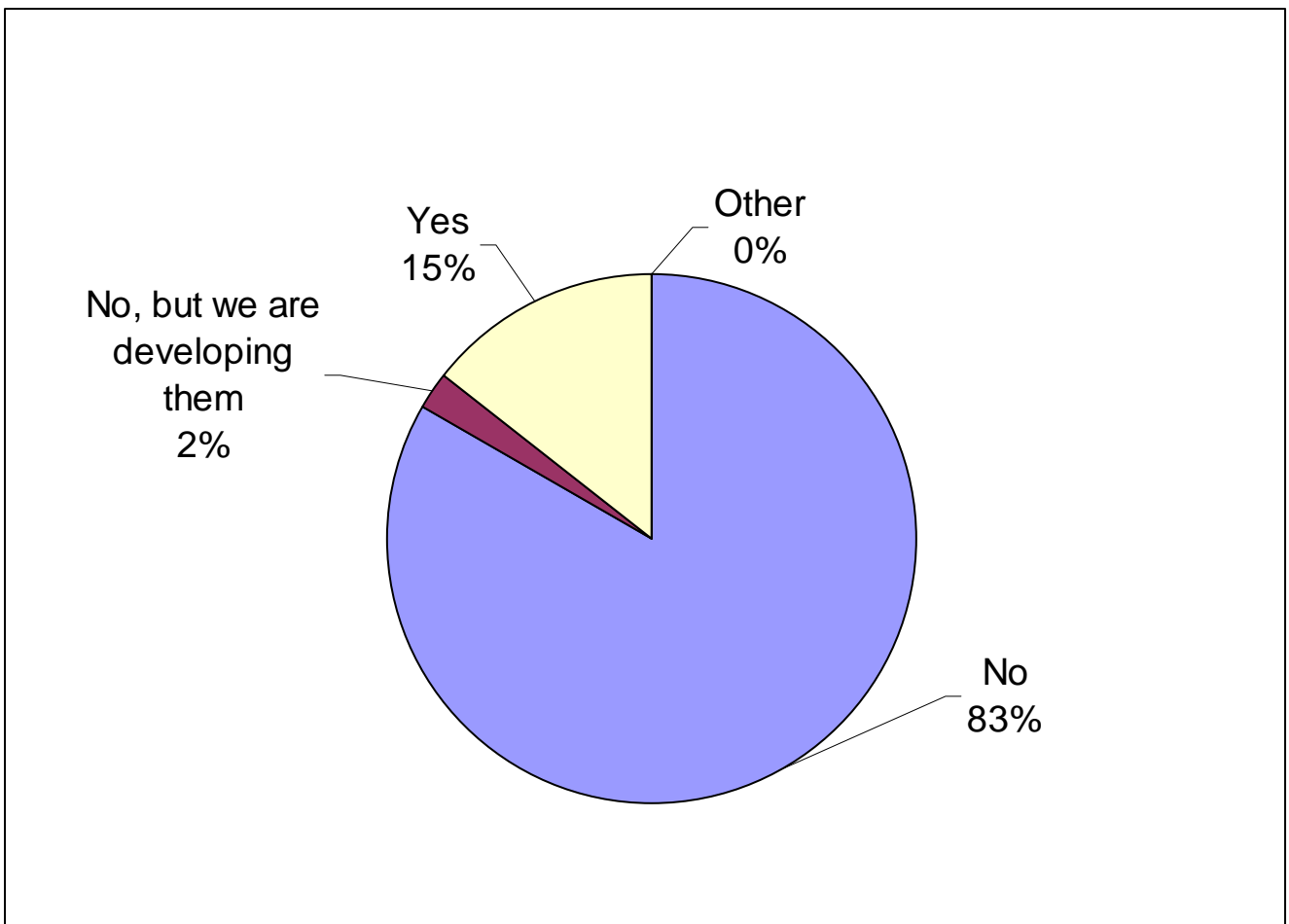
The survey serves as a follow-up to a wider-ranging survey of the state commissions conducted by NRRI and released in November 2002. The results of the current survey are presented along with the responses given in 2002 to the same questions. The 2002 survey contained responses from 39 state commissions, in comparison to the 50 commissions (including the District of Columbia) responding to the 2003 survey.

What follows is a series of figures categorizing the commissions' answers to each question in 2003. These are accompanied by figures describing the responses to the same questions in the 2002 survey. A copy of the survey is included as an appendix. The survey is available at <http://nrri.ohio-state.edu/programs/security>.

COMMISSION RESPONSES TO SURVEY

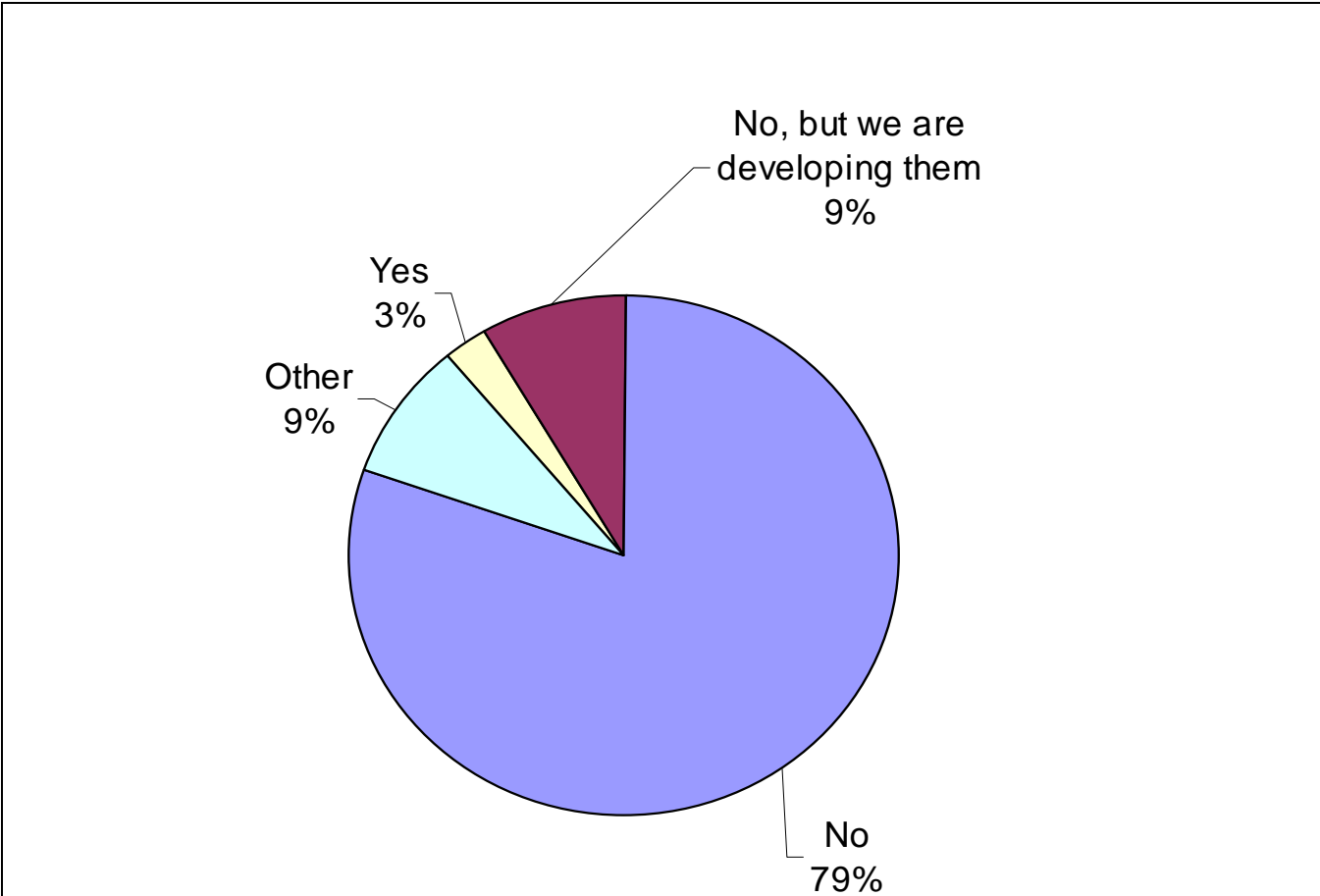
Investment Prudence Guidelines

A large majority of commission respondents indicated that they do not have guidelines for determining the prudence of security investments. Fifteen percent currently have guidelines, an increase from the 3 percent reported in 2002 (see Figures 1 and 2).



Source: NRRRI security survey, 2003, n=48.

Fig. 1. Do you have guidelines for determining the prudence of security investments? (2003 results).

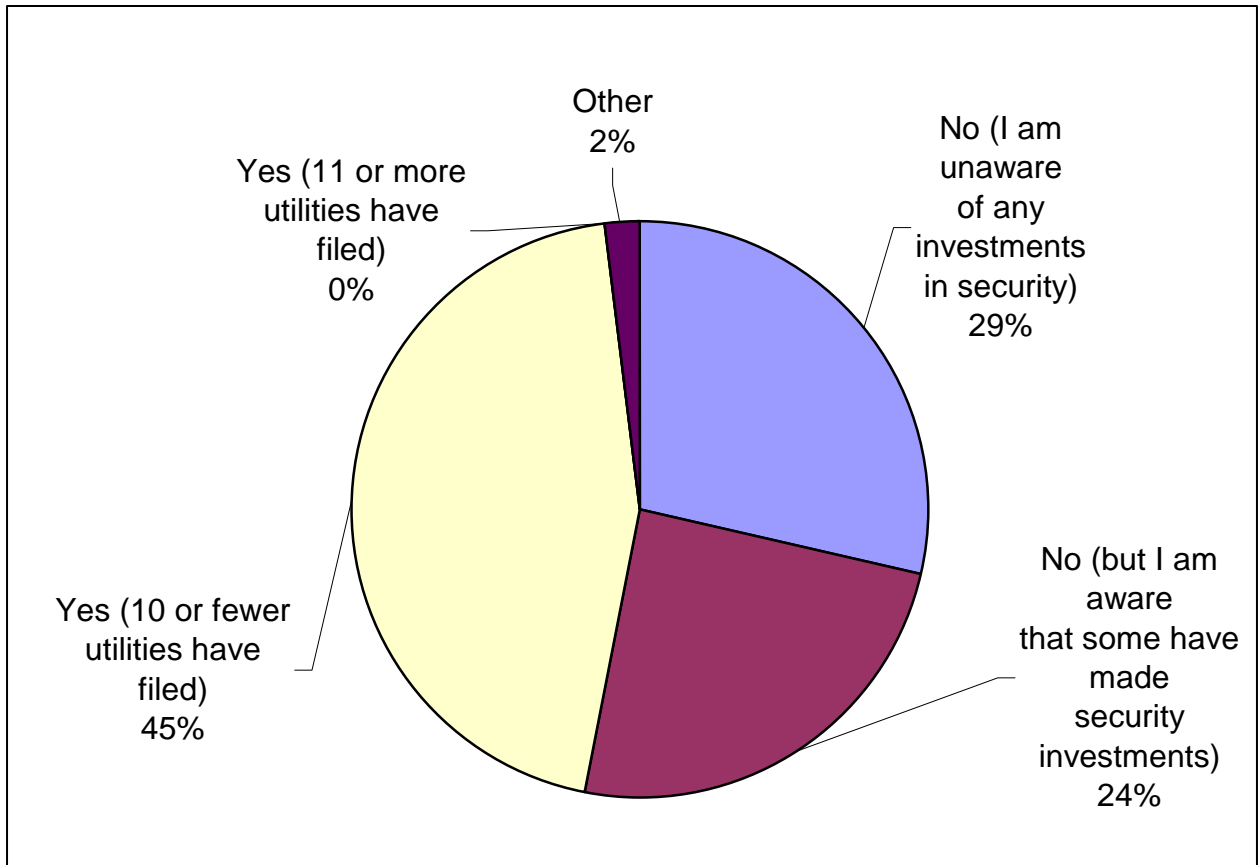


Source: NRRRI security survey, 2002, n=35.

Fig. 2. Do you have guidelines for determining the prudence of security investments? (2002 results).

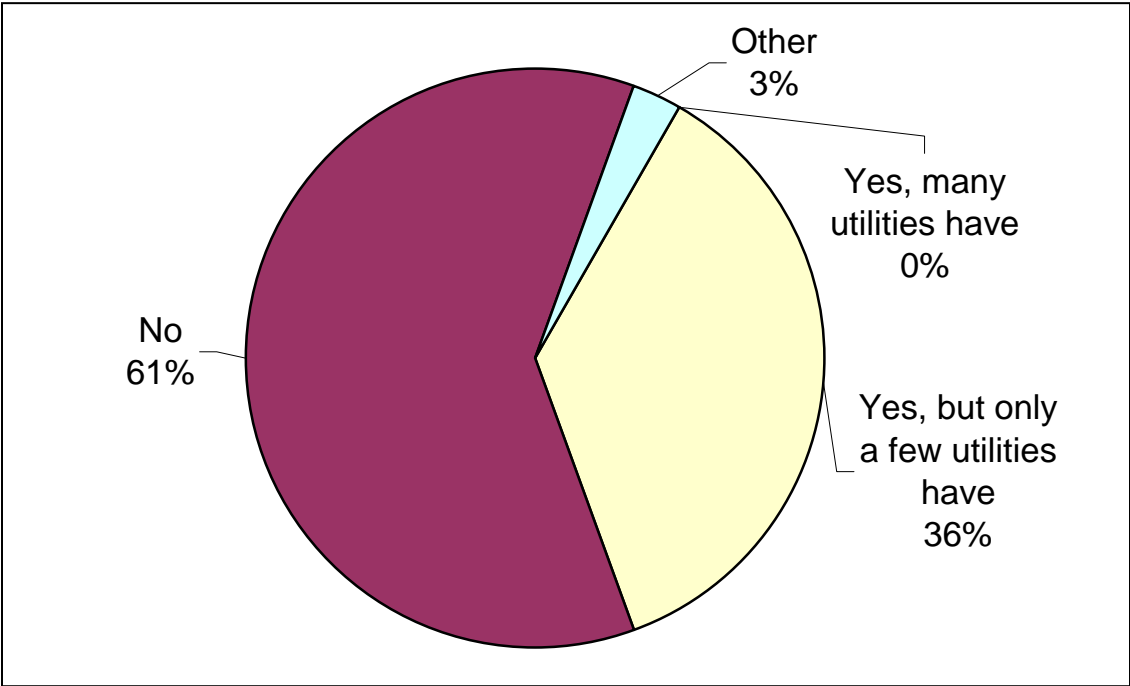
Utility Filings for Cost Recovery

Forty-five percent of the commissions indicated that utilities have filed for recovery of security-related costs, up from 33 percent of respondents in the 2002 survey (see Figures 3 and 4). In addition, one quarter were aware of utilities making security investments, but these investments had not yet been the subject of cost-recovery filings before the commission.



Source: NRRRI security survey, 2003, n=49.

Fig. 3. Have your utilities filed to request cost recovery of capital expenses for new security investment and Operations and Management (O&M) associated costs? (2003 results).

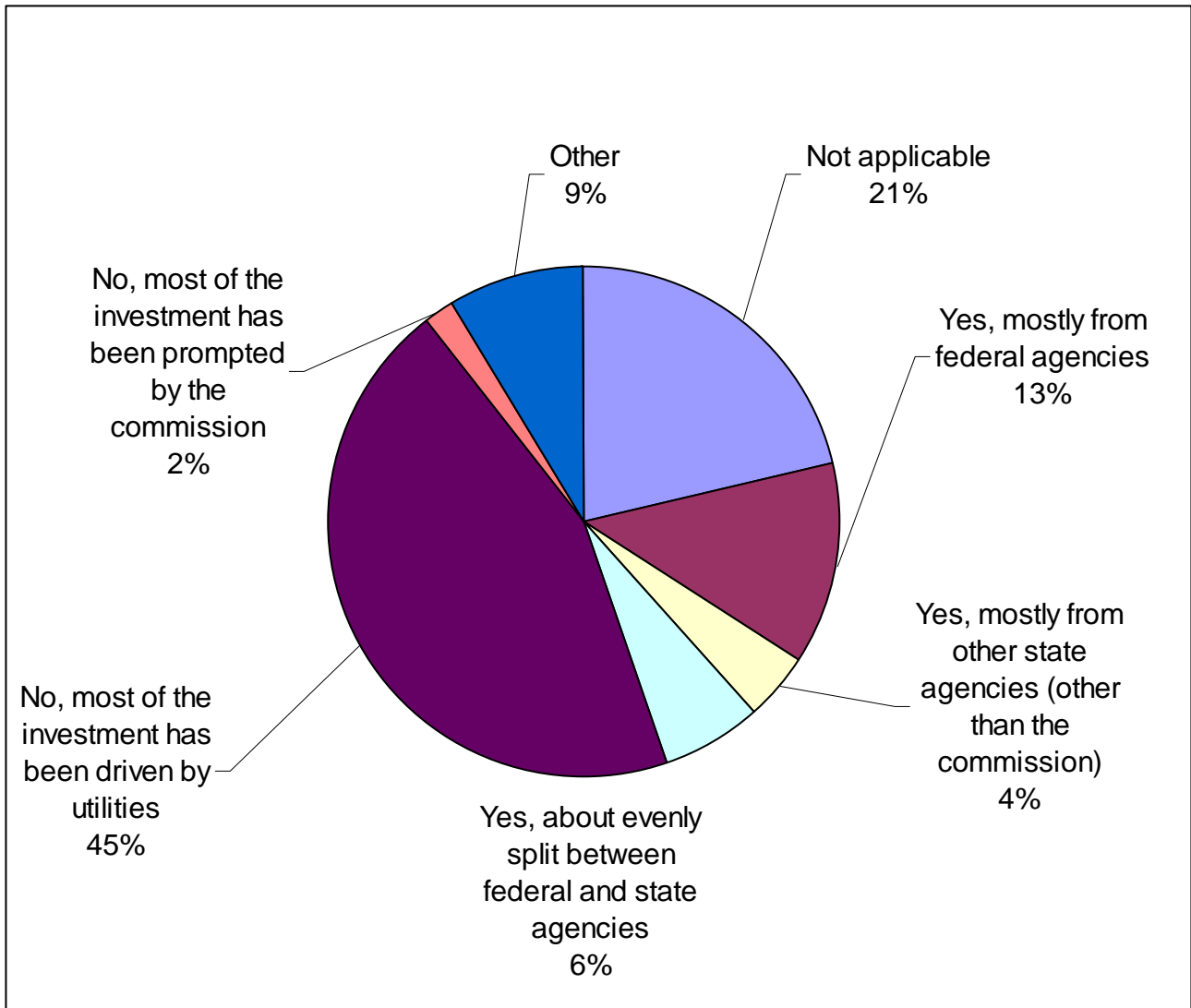


Source: NRRRI security survey, 2002, n=36.

Fig. 4. Have your utilities filed to request cost recovery of capital expenses for new security investment and operations and management (O&M) associated costs? (2002 results).

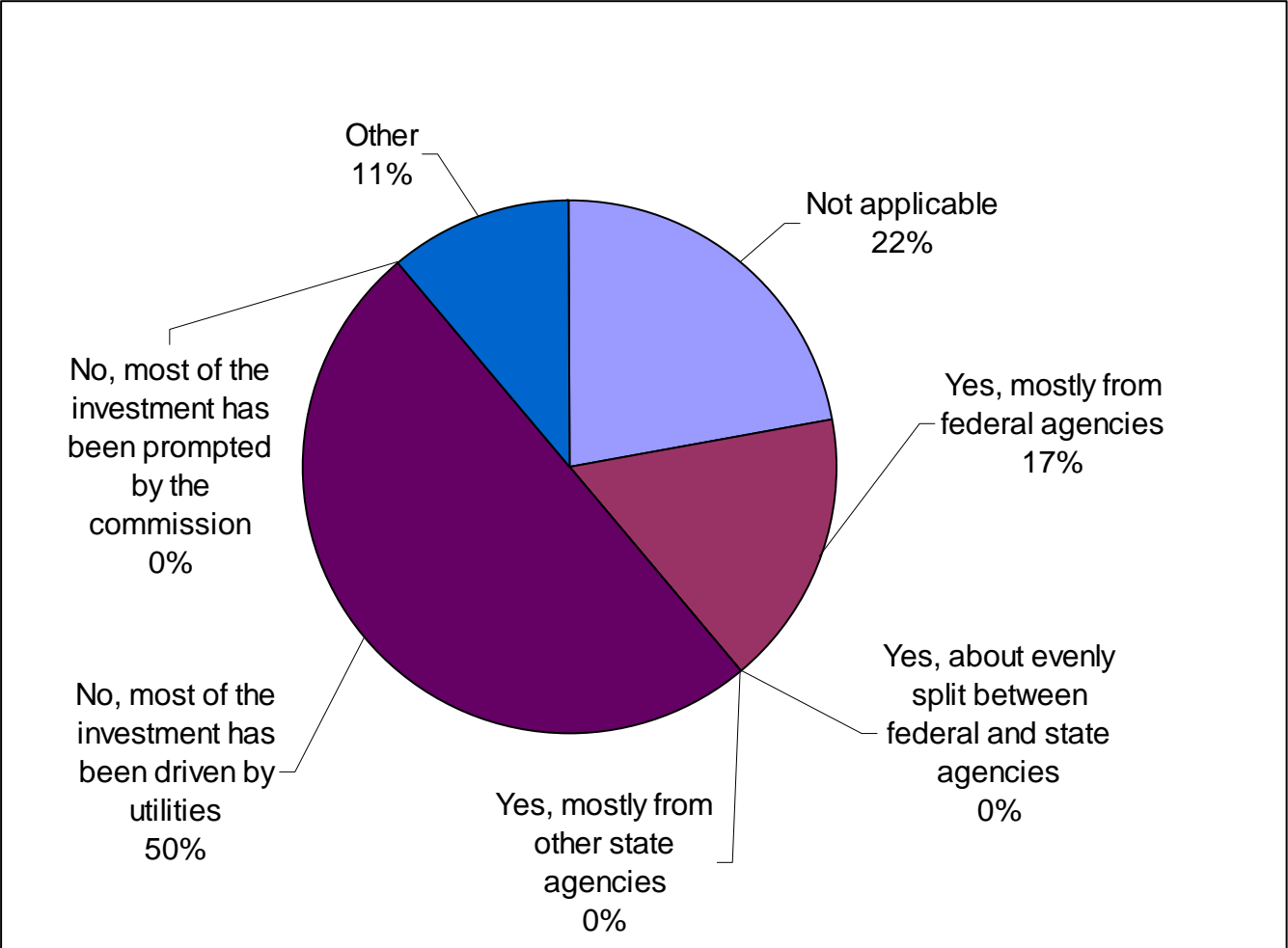
Motivation for Security Investments

Most respondents said that security-related investments have been driven by utilities themselves, not state or federal mandates. This finding is consistent with the 2002 survey (see Figures 5 and 6).



Source: NRRRI security survey, 2003, n=47.

Fig. 5. If your utilities have made security investments, are these investments due to requirements from other state or federal regulatory agencies? (2003 results).

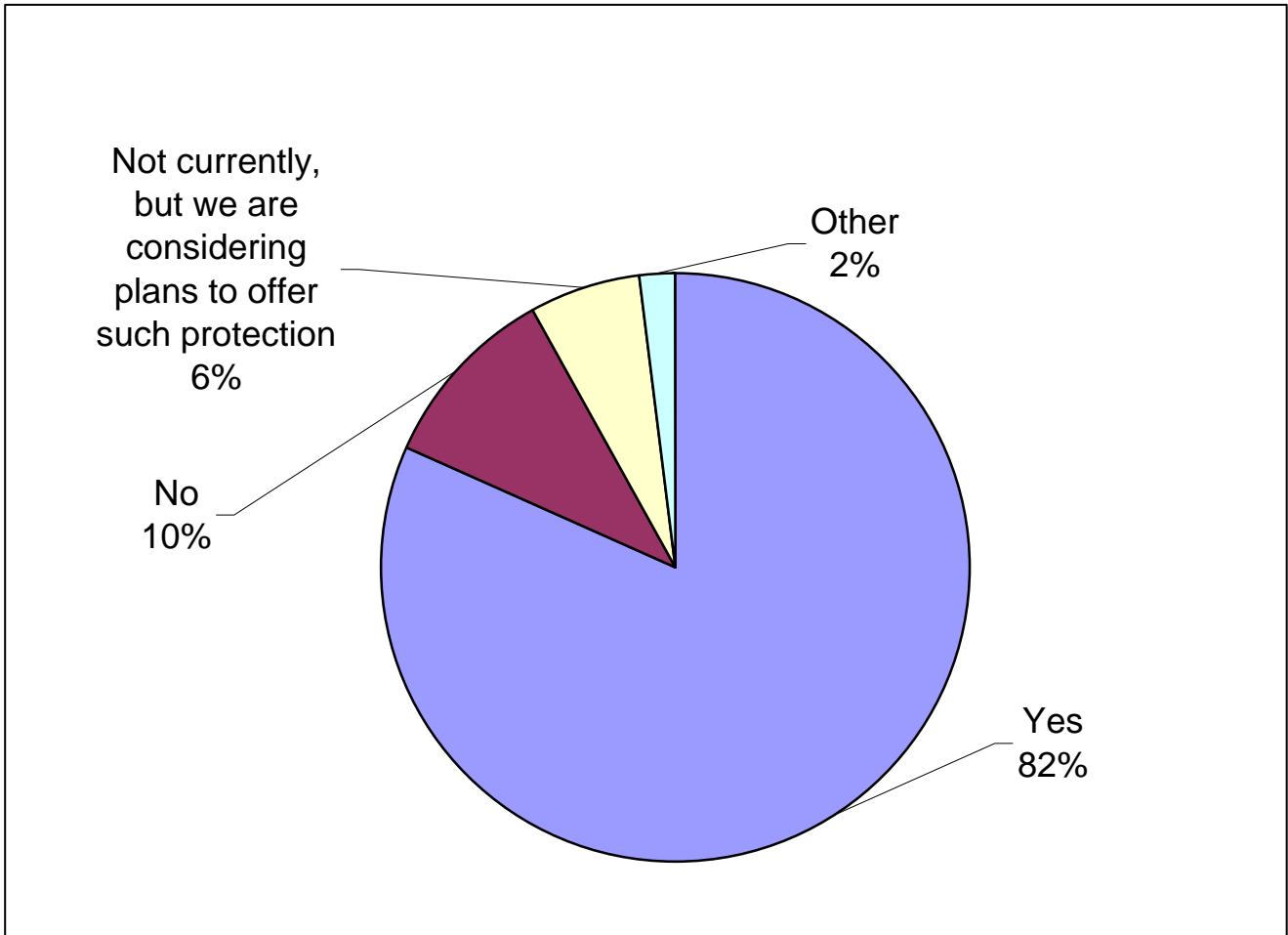


Source: NRRl security survey, 2002, n=36.

Fig. 6. If your utilities have made security investments, are these investments due to requirements from other state or federal regulatory agencies? (2002 results).

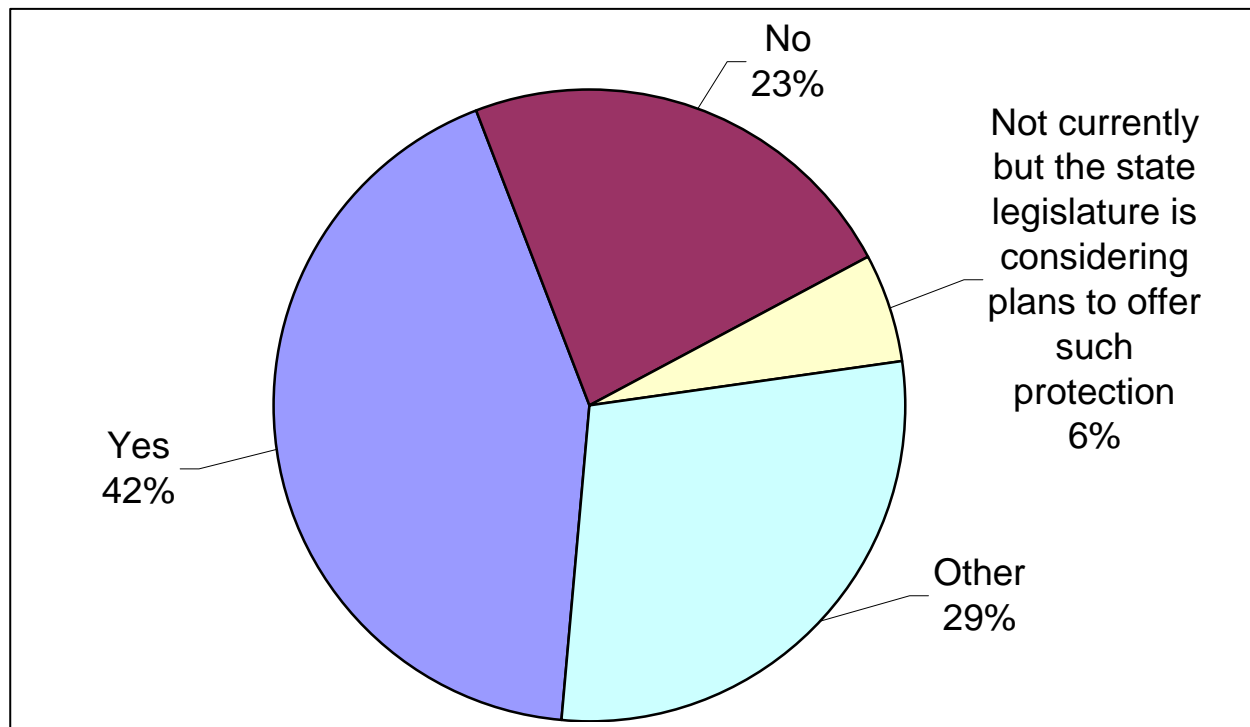
Protection of Sensitive Information

Eighty-two percent of commissions indicated that they offer Freedom of Information Act (FOIA) protection for sensitive utility security information. This represents a substantial increase from 2002, when only 42 percent of respondent states offered protection for sensitive information (see Figures 7 and 8).



Source: NRRRI security survey, 2003, n=49.

Fig. 7. Does your state offer FOIA or other protection from disclosure of sensitive security information that utilities may want or have to share with your commission? (2003 results).

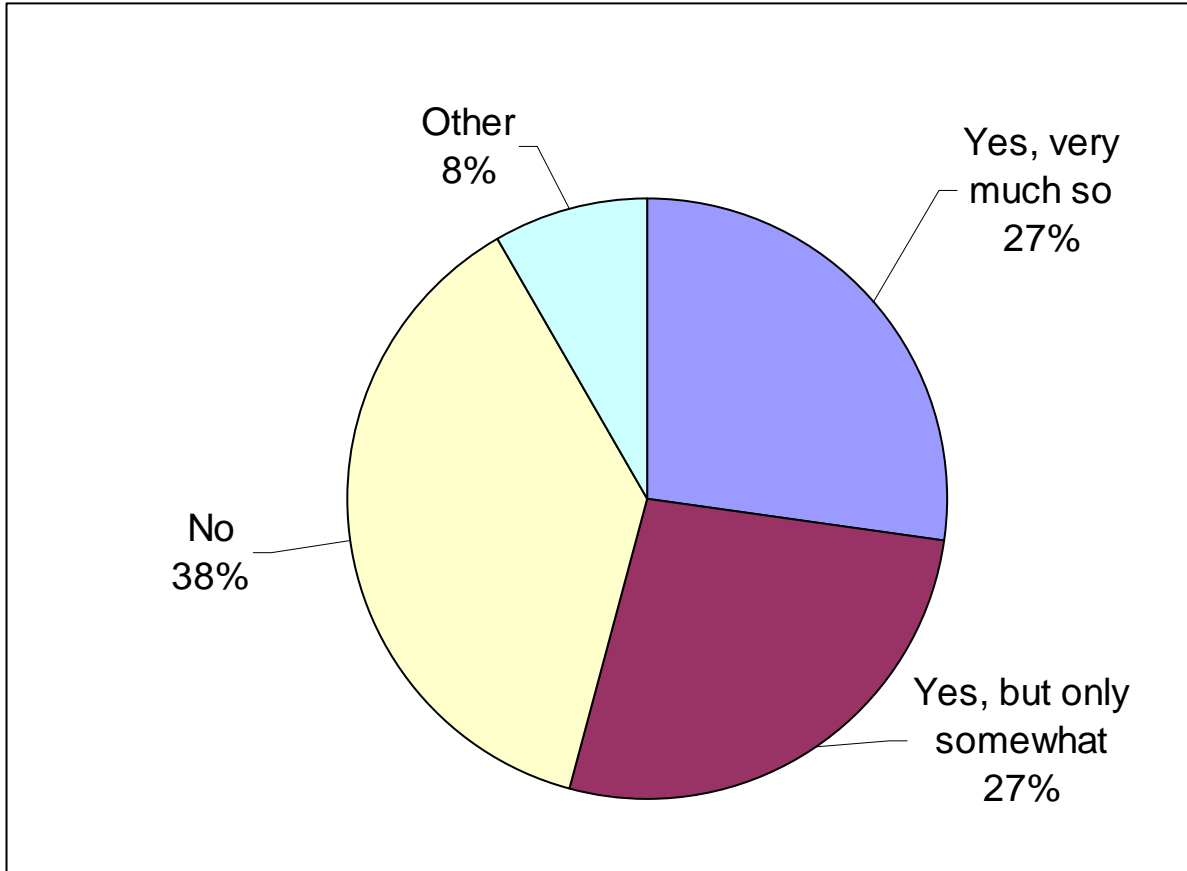


Source: NRRRI security survey, 2002, n=35.

Fig. 8. Does your state offer FOIA or other protection from disclosure of sensitive security information that utilities may want or have to share with your commission? (2002 results).

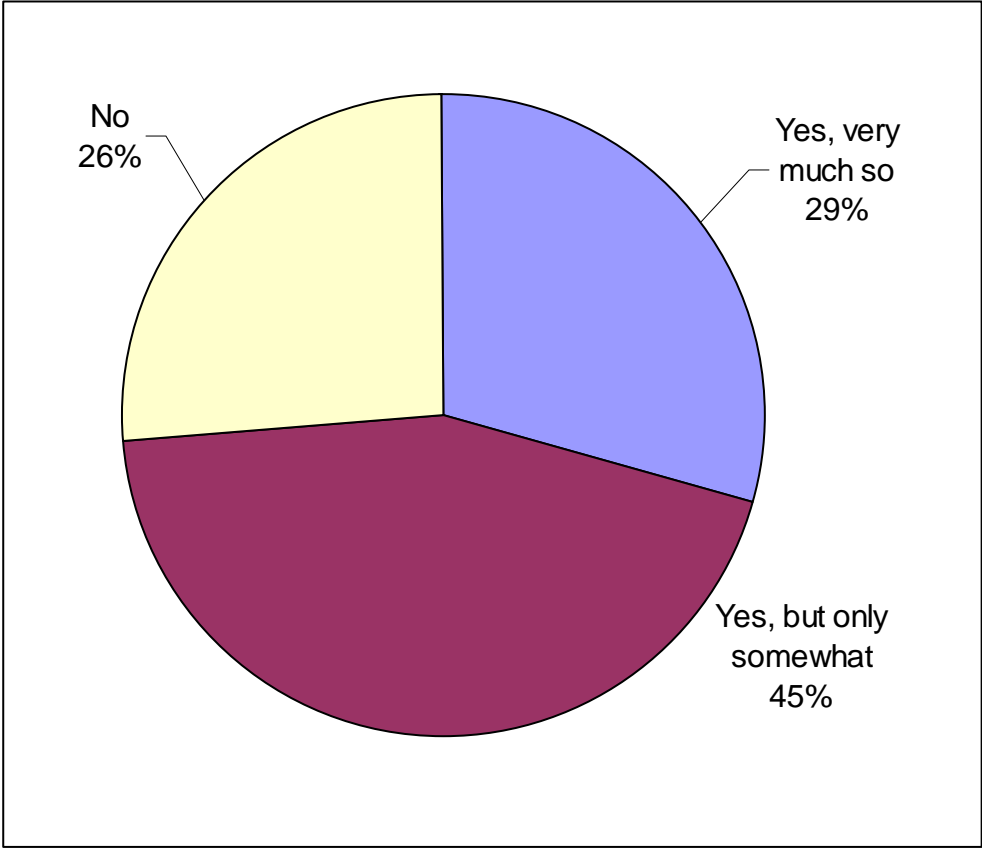
Information Sharing by Utilities

The majority of respondents (54 percent) reported that utilities were either somewhat or very reluctant to share their security information with the commission. This tendency was less pronounced than in 2002, when 74 percent of respondents reported reluctance from utilities to share information (see Figures 9 and 10).



Source: NRRl security survey, 2003, n=48.

Fig. 9. Are your utilities reluctant to share pertinent details of their security measures with the commission? (2003 results).

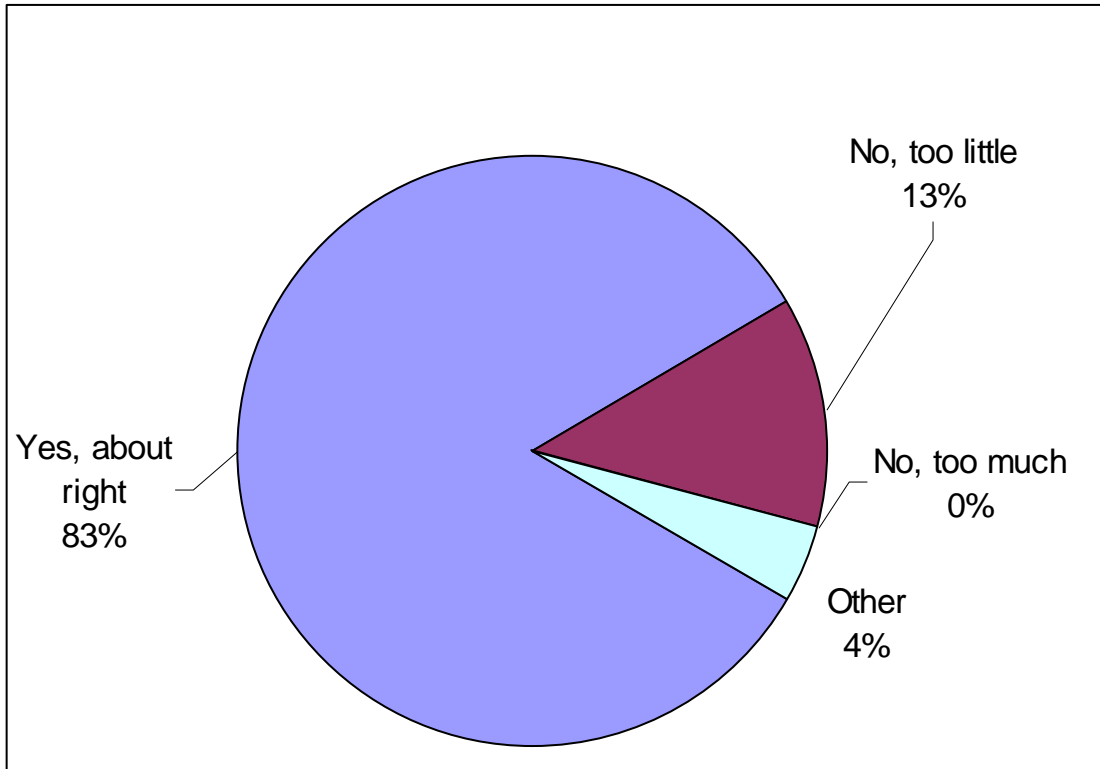


Source: NRRRI security survey, 2002, n=35

Fig. 10. Are your utilities reluctant to share pertinent details of their security measures with the commission? (2002 results).

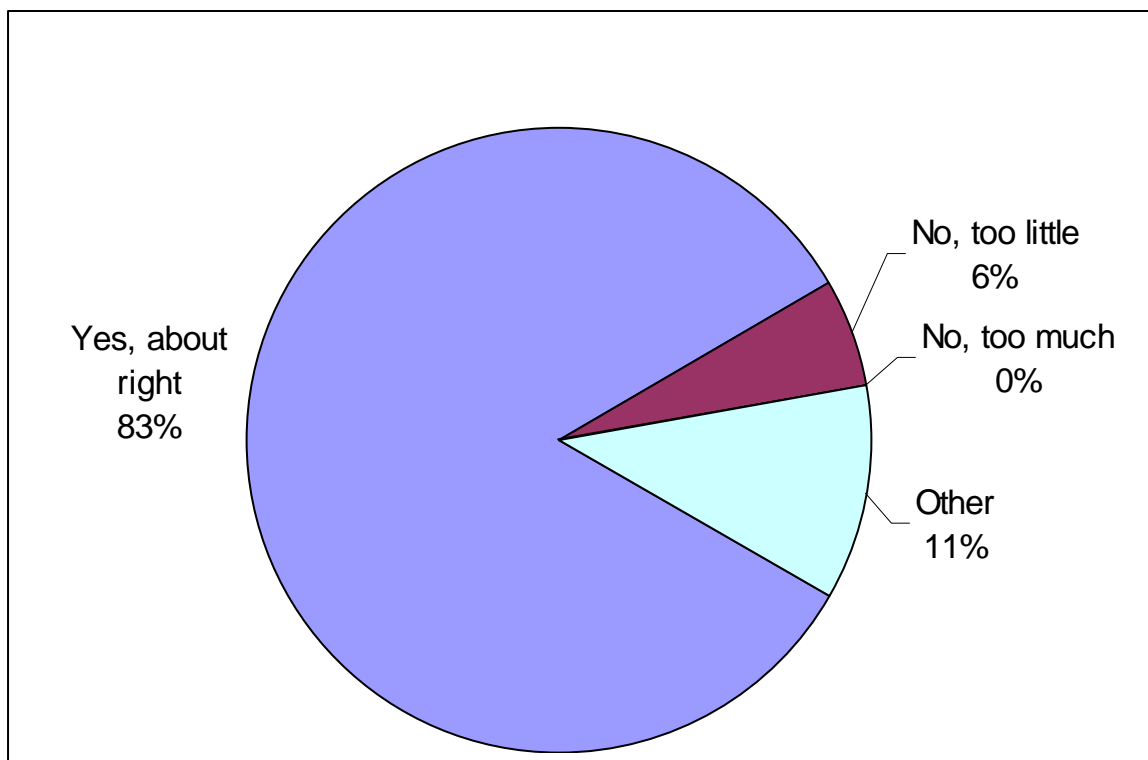
Coordination with other Agencies

A large majority of respondents indicated that they viewed their communication and coordination with other agencies and organizations as adequate and appropriate, with only 13 percent claiming that it was too little. This finding is similar to the results from 2002 (see Figure 11 and 12).



Source: NRRI security survey, 2003, n=48.

Fig. 11. In your opinion, is the commission's current level of involvement with other agencies and organizations regarding security matters adequate and appropriate? (2003 results).

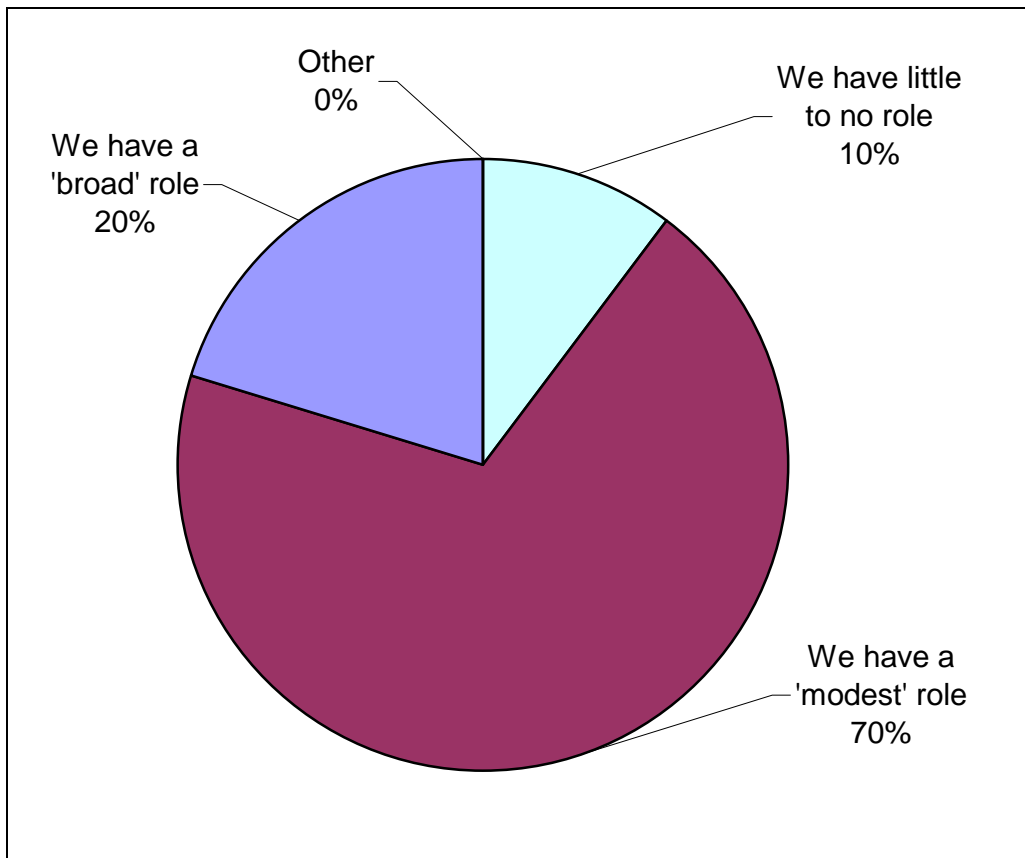


Source: NRRl security survey, 2002, n=36

Fig. 12. In your opinion, is the commission's current level of involvement with other agencies and organizations regarding security matters adequate and appropriate? (2002 results)

Commission's Overall Role in Security

The majority of commissions (70 percent) indicated that they had a 'modest' role with respect to utility security (see Figure 13). Although this single question was phrased somewhat differently in the 2002 survey, the results are similar across both years (see Figure 14).



Source: NRRRI security survey, 2003, n=49.

Fig. 13. In your opinion, how would you characterize your commission's overall role with respect to critical infrastructure protection? (2003 results).

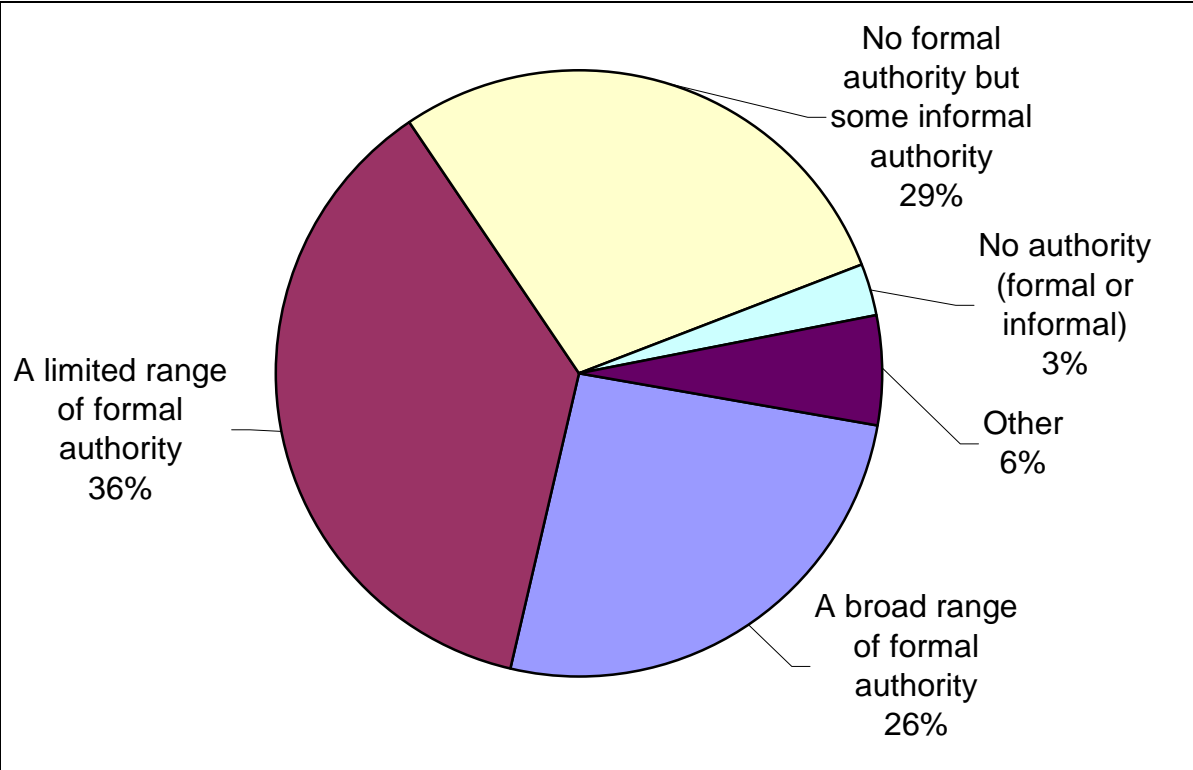


Fig. 14. What authority does the commission have with respect to security for jurisdictional utilities? (2002 results).

CONCLUSION

The NARUC/NRRI survey shows an increase in state commission homeland security activity in six of seven benchmark areas between 2002 and 2003. The most significant difference between the surveys is the increase from 42 to 82 percent in the number of respondents states that offer protection for sensitive utility security information.

Although nearly half of the commissions reported in both years that jurisdictional utilities had filed for recovery of security costs, most commission do not have specific guidelines for determining whether a jurisdictional utility's security investment is prudent. An increasing but still small number of commissions do have such guidelines.

Most commissions ascribed the motivation for the security investments to the utilities themselves, rather than state or federal government mandates. In addition, over half of the commissions participating in the survey reported reluctance by the utilities to share security information with the commissions. However, this tendency was less prevalent than in 2002, when nearly three-quarters of respondents reported some reluctance on the part of utilities to share such information.

In regard to state commissions' perceptions of their own performance, 83 percent of the commissions considered their coordination with other agencies to be appropriate. Overall, state commissions report that they have a "modest" role with respect to critical infrastructure protection.

APPENDIX

NARUC/NRRI 2003 SECURITY SURVEY QUESTIONNAIRE

PURPOSE: This survey is being conducted for the NARUC Ad Hoc Committee on Critical Infrastructure. We intend to use it to help inform the regulatory and security communities and improve the safety and security of the nation's utility infrastructure.

We appreciate your input. Please feel free to share this survey or work with other members of your commission as necessary.

The survey has 10 questions that ask about cost recovery, handling sensitive information, and your opinion about your commission's role in the security area.

For purposes of this survey we are using the term 'commission' in an agency context rather than as the commissioners at the agency.

Name:

Email:

Phone Number:

1. Your Commission's Name:

2. Do you have guidelines for determining the prudence of security investments?
(please select the one answer that is closest to your situation)

- No
- No, but we are developing them
- Yes
- Other (please provide any additional comments in the text box in question 10)

3. Have your utilities filed to request cost recovery of capital expenses for new security investment and O&M associated costs? (please select the one answer that is closest to your situation)

- No (I am unaware of any investments in security)
- No (but I am aware that some have made security investments)
- Yes (10 or fewer utilities have filed)
- Yes (11 or more utilities have filed)
- Other (please provide any additional comments in the text box in question 10)

4. If your utilities have filed for security investments, what is the total approximate amount of costs that are pending or have been approved?

5. If your utilities have made security investments, are these investments due to requirements from other state or federal regulatory agencies? *(please select the one answer that is closest to your situation)*

- Not applicable
- Yes, mostly from federal agencies
- Yes, mostly from state agencies (other than the commission)
- Yes, about evenly split between federal and other state agencies
- No, most of the investment has been driven by the utilities
- No, most of the investment has been prompted by the commission
- Other (please provide any additional comments in the text box in question 10)

6. Does your state offer Freedom of Information Act (FOIA) or other protection from disclosure of sensitive security information that utilities may want or have to share with your commission? *(please select the one answer that is closest to your situation)*

- Yes
- No
- Not currently, but we are considering plans to offer such protection
- Other (please provide any additional comments in the text box in question 10)

7. Are your utilities reluctant to share pertinent details of their security measures with the commission? *(please select the one answer that is closest to your situation)*

- Yes, very much so
- Yes, but only somewhat
- No
- Other (please provide any additional comments in the text box in question 10)

8. In your opinion, is the commission's current level of involvement with other agencies and organizations regarding security matters adequate and appropriate? *(please select the one answer that is the closest to your situation)*

- Yes, about right
- No, too little
- No, too much
- Other (please provide any additional comments in the text box in question 10)

9. In your opinion, how would you characterize your commission's overall role with respect to critical infrastructure protection? (please select the one answer that is the closest to your situation)

- We have little to no role
- We have a 'modest' role
- we have a 'broad' role
- Other (please provide any additional comments in the text box in question 10)

10. Your comments and recommendations: