

Acting Chairman Cheryl LaFleur
April 10, 2014 Testimony
Senate Energy and Natural Resources Committee

Thank you. Chairman Landrieu, Ranking Member Murkowski and members of the Committee. My name is Cheryl LaFleur. For nearly four years I have had the honor of serving on the Federal Energy Regulatory Commission. I appear before you as FERC's acting chairman, an appointment that I received in November. I'd like to thank the Committee for holding this hearing and inviting me to testify.

One of my first decisions at FERC was to make electric reliability a personal priority. FERC supports the reliability of the electric grid in several ways. First, we directly oversee the development and enforcement of mandatory reliability standards for the bulk electric system. We also support reliability through our regulation of wholesale rates and markets, which compensate resources and send investment signals needed for reliability, and of interstate electric transmission. Finally, FERC is responsible for permitting energy infrastructure, including gas pipelines, LNG terminals and hydro facilities.

The reliability and resilience of the grid really stems from how it is planned, constructed, operated and how asset owners respond to and learn from events that happen. That means that in setting and overseeing reliability standards FERC has to pay attention to nuts and bolts issues, like trimming trees, all the way to emerging issues like cybersecurity.

Last November we approved the fifth generation of NERC cybersecurity standards that for the first time requires all bulk electric system cyber assets to receive cyber protection commensurate with their impact on the grid.

Reliability also requires protecting the physical security of the grid assets from tampering, vandalism and sabotage. The topic of physical security was highlighted by the April 2013 attack on the Metcalf substation in Northern California. In the wake of that attack, FERC worked with other federal agencies to communicate the facts of the attack and lessons learned. FERC also provided guidance to asset owners on steps they could take to improve security based on modeling it had performed.

In addition to these efforts, on March 7, 2014, FERC directed NERC to develop mandatory physical security standards for the grid within 90 days. In directing NERC to develop these standards, we recognize that many asset owners had already taken steps to protect their critical facilities, but a mandatory standard will reinforce, strengthen and broaden these efforts.

We also recognize that not every facility is alike. It is very important that we have the list right and protect the most critical facilities and that the responsive actions be customized to the specific location and circumstance.

I'd like to discuss another aspect of this issue that has received considerable attention. As I noted earlier, FERC has applied its familiarity with grid operations to perform sophisticated modeling to identify system vulnerabilities. Last month, the Wall Street Journal published an article that included some details of such FERC modeling.

I stated then, and I continue to believe, that publication of such information about the grid undermines its security. I appreciate Chairman Landrieu's and Ranking Member Murkowski's recent statements highlighting the importance of protecting this type of information.

In light of the release of internal FERC modeling information, we are working on many fronts to understand what happened and to ensure that it does not happen again. As part of this effort, I asked the Department of Energy Inspector General to advise us on how we could improve our processes with respect to information security.

Yesterday, the Inspector General issued a management alert indicating that some of FERC's modeling work, when it was created in early 2013, should have been designated as classified information at at least the secret level, rather than as critical energy infrastructure information as it was classified. The Inspector General outlined a number of specific steps to take, and we are taking them immediately and giving it a top priority.

But we look forward to his further recommendations, and we are doing our own work on how we can improve our processes and culture to make sure this doesn't happen again. It is critical that the public have the confidence that sensitive energy information is protected,

During my four months as acting chairman - they've been somewhat eventful - FERC has faced many challenges, including the ones we are focused on today. In this area I repeatedly emphasize to the really wonderful team folks who work there, and externally, that we have to have our actions guided by two things.

One is protecting the reliability and security of the grid for customers, and second is protecting the integrity of the Commission so people can have confidence in it.

Thank you for this opportunity to testify, and I look forward to your questions.