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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

CONSENT ELECTRIC, CONSENT GAS,
CONSENT HYDRO, CONSENT CERTIFICATES,
MISCELLANEOUS, DISCUSSION ITEMS,
STRUCK ITEMS

1039th COMMISSION MEETING
Thursday, January 18, 2018
Commission Meeting Room
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

1 The Commission met in open session at 10:02 a.m.,
2 when were present:

3 CHAIRMAN KEVIN MCINTYRE
4 COMMISSIONER CHERYL LaFLEUR
5 COMMISSIONER ROBERT POWELSON
6 COMMISSIONER NEIL CHATTERJEE
7 COMMISSIONER RICHARD GLICK
8 SECRETARY KIMBERLY D. BOSE

9

10 PRESENTERS:

11

12 E-2: Supply Chain Risk Management Reliability
13 Standards (RM17-13-000)

14 Simon Slobodnik, Office of Electric Reliability

15 accompanied by:

16 Patricia Eke, Office of Electric Reliability

17 And Kevin Ryan, (OGC)

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1 P R O C E E D I N G S

2 (10:02 a.m.)

3 SECRETARY BOSE: Thank you, Mark.

4 The purpose of the Federal Energy Regulatory
5 Commission's open meeting is for the Commission to consider
6 the matters that have been duly posted in accordance with
7 the Government In The Sunshine Act.

8 Members of the public are invited to observe,
9 which includes attending, listening, and taking notes, but
10 does not include participating in the meeting or addressing
11 the Commission.

12 Actions that purposely interfere or attempt to
13 interfere with the commencement or conducting of the
14 meeting, or inhibit the audience's ability to observe or
15 listen to the meeting, including attempts by the audience
16 members to address the Commission while the meeting is in
17 progress are not permitted.

18 Any persons engaging in such behavior will be
19 asked to leave the building. Anyone who refuses to leave
20 voluntarily will be escorted from the building.

21 Additionally, documents presented to the
22 Chairman, Commissioners, or staff during the meeting will
23 not become part of the official record of any Commission
24 proceeding, nor will they require further action by the
25 Commission.

1 If you wish to comment on an ongoing proceeding
2 before the Commission, please visit our website for more
3 information.

4 Thank you for your cooperation.

5 CHAIRMAN McINTYRE: Madam Secretary, we are ready
6 to begin.

7 SECRETARY BOSE: Thank you, Mr. Chairman.

8 Good morning, Mr. Chairman, good morning
9 Commissioners--

10 (Interruption from the audience.)

11 SECRETARY BOSE: Good morning, Mr. Chairman, good
12 morning Commissioners. This is the time and place that has
13 been noticed for the open meeting of the Federal Energy
14 Regulatory Commission to consider the matters that have been
15 duly posted in accordance with the Government In The
16 Sunshine Act.

17 Please join us in the Pledge of Allegiance.

18 (Pledge of Allegiance recited.)

19 SECRETARY BOSE: Mr. Chairman and Commissioners,
20 since the issuance of the December open meeting--excuse me,
21 the Commission has issued 37 Notational Orders. Thank you,
22 Mr. Chairman.

23 CHAIRMAN McINTYRE: Since we last gathered four
24 weeks ago today, there has been a lot of activity in our
25 space, but one item in particular I think is particularly

1 deserving of comment, and that is the Order that we issued
2 in response to the NOPR sent to us by the Secretary of
3 Energy. And really my only message here is thank you to the
4 team that worked so hard to get that out. It was a heavy
5 lift.

6 I arrived on the scene here on December 7th, four
7 days before our deadline. My first official act essentially
8 was to ask for a 30-day extension, brave move that that was.

9 (Laughter.)

10 CHAIRMAN McINTYRE: Thankfully it was granted, but
11 the work was only beginning at that stage, and we worked
12 very hard as a team. I want to thank every one of my
13 Commissioner colleagues up here and their respective staffs
14 for all the hard work. It was in the best tradition of this
15 agency: collegial, hardworking, everyone bringing their best
16 ideas to the table, and we all worked on it. And what
17 resulted was a unanimous five to nothing order reflecting
18 the views of the Commission on the best steps forward to
19 address grid resiliency, a very important issue highlighted
20 by the Secretary of Energy in his NOPR.

21 So I just want to say thank you to everybody who
22 was involved.

23 Commissioner LaFleur, do you have any opening
24 remarks?

25 COMMISSIONER LaFLEUR: Thank you. I didn't realize

1 it was my turn. I was dreaming. Well, thank you.

2 I certainly second the Chairman's remarks
3 thanking everyone at the Commission, and all the people who
4 commented from the energy community for their work on the
5 Secretary of Energy's proposed Notice of Proposed
6 Rulemaking.

7 I also want to thank Chairman McIntyre for his
8 work in forging a consensus among the five of us so that we
9 could put out a unanimous opinion, and then allowing us, or
10 recognizing that we spoke separately where we had individual
11 views to express. And I thought that was a very good way to
12 handle it.

13 I look forward to hearing from the different
14 regions on the resilience risks that they may see in their
15 regions. I know my own region of New England has been
16 active in that space recently, looking at their fuel issues.
17 And I'm very much looking forward to what we hear back so we
18 can assess whether there's anything more we need to do to
19 complement all the work we've been doing in this area
20 already.

21 I want to take a minute to introduce a
22 forthcoming new member of my team in the coming days.
23 Steven Wellner, my legal advisor, is going to be going out
24 on paternity leave for a few months and I'm happy to
25 announce that Cat Yohan from the Office of General Counsel,

1 Energy Projects, who I believe is sitting behind me and can
2 be recognized, is going to be on detail in my office as a
3 legal advisor during Steven's leave. Cat has been at the
4 Commission since 2011, all in OGC Energy Projects working on
5 both pipeline and hydro proceedings, both certificate review
6 and NEPA analysis, which are obviously hot topics on our
7 docket right now. She also served a detail from 2015 to
8 2017 in the White House Council on Environmental Quality
9 working on their energy and environment portfolio.

10 Cat is a native of Wisconsin, a graduate of the
11 University of Wisconsin undergrad and law school. So
12 besides her pipeline expertise, she brings sports diversity
13 to the suite as a fan of the Greenbay Packers. I think we
14 have Tom Brady covered, but I think we need some help to
15 keep up with Aaron Rogers and all his news in the
16 newspapers.

17 So we're excited for Steven as he starts this
18 next chapter of his family life, and excited to have Cat on
19 our team. And I want to thank Suzy Holmes and John Katz for
20 allowing the detail.

21 Finally, as in Januarys past, I am showing my
22 support for--because we're fortunate that the Patriots will
23 be playing in the Championship Game on Sunday, but I do
24 recognize that with all the growth in the Commission comes
25 different loyalties.

1 (Laughter.)

2 COMMISSIONER LaFLEUR: So I think that will make
3 Sunday even more fun. Thank you.

4 (Laughter.)

5 CHAIRMAN McINTYRE: Thank you, Commissioner.
6 Commissioner Chatterjee, do you have any opening
7 remarks?

8 COMMISSIONER CHATTERJEE: I do. Thank you, Mr.
9 Chairman. I want to take a moment in my remarks this
10 morning to highlight the Fuel Security Study that ISO New
11 England released yesterday which evaluates and quantifies
12 operational risks associated with a variety of fuel mix
13 scenarios.

14 I applaud ISO New England for responsibly
15 assessing how it increased dependence on--on how its
16 increased dependence on natural gas-fired generation could
17 affect reliable operations, and for putting forth efforts to
18 get ahead of this issue.

19 This study, which incorporates parameters that
20 take into account ISO New England's unique circumstances, is
21 precisely the type of tailored analysis I would expect and
22 encourage other ISOs and RTOs to undertake in response to
23 the Commission's inquiry regarding resilience.

24 To that end, Mr. Chairman, I also want to echo
25 your remarks and thank you for your leadership, and

1 colleagues for all coming together in the way that we did in
2 issuing our unanimous Order. It was an incredibly vexing
3 and complex question that Secretary Perry asked, and I was
4 pleased that we all came together in the conclusion that
5 there is merit to investigating the question that he asked.
6 I believe he asked the right question, but proposed the
7 wrong remedy, and I hope we can all work together with our
8 incredible team here at the Commission in the coming days,
9 weeks, and months on finding the right remedy.

10 To that end, I hope to also continue to work on a
11 bipartisan basis to get there. Commissioner LaFleur and I
12 participated in the panel discussion at the bipartisan
13 Policy Center earlier this week where we discussed our
14 various approaches to this. I thought it was a great
15 showing of bipartisanship. And in the interest of further
16 fostering these bipartisan relations and showing unity and
17 loyalty on the floor, I also--I'm probably the first
18 Commissioner ever to undo his shirt at a Commission meeting--
19 -

20 (Laughter.)

21 COMMISSIONER CHATTERJEE: But I would like to show
22 my support for Tom Brady, the greatest player ever to set
23 foot on a football field, and the Patriots this weekend. I
24 remain very concerned about this hand injury. Other more
25 normal humans might be deterred by it, but I'm quite

1 confident that the goats will be just fine this weekend.

2 And with that, I conclude my remarks with "Go
3 Pats".

4 CHAIRMAN McINTYRE: Thank you, Commissioner.

5 Commissioner Powelson, do you want to jump in
6 here?

7 (Laughter.)

8 COMMISSIONER POWELSON: Well I was really honored
9 to learn of Commissioner LaFleur's new staff member, who is
10 a Wisconsin Badger, and we have a little home town hero in
11 Alex Hornenbrook, who goes to my son's school, and am very
12 proud of him. So I think you and I will get along rather
13 nicely now.

14 (Laughter.)

15 COMMISSIONER POWELSON: For everybody that just
16 jumped on the New England bandwagon--

17 (Laughter.)

18 COMMISSIONER POWELSON: --I wish them well. And
19 I'm glad that the New England ISO did issue their Fuel
20 Security Study. Hopefully the power will be flowing into
21 Lux Stadium. We will not have that problem at Lincoln
22 Financial Stadium this weekend.

23 On a serious matter, again I think, Mr. Chairman,
24 it's been said and it deserves to be said, as someone who
25 served as a former chairman and dealt with many complex

1 issues, I was very proud to associate myself with the final
2 outcome in the DEO--I almost said it again--DEA--DOA NOPR.
3 But it's the Department of Energy Notice of Public
4 Rulemaking.

5 More importantly, I just want to thank the staffs
6 again, as Commissioner Chatterjee mentioned, the work of the
7 staffs and our technical staffs to really get this in their
8 appropriate position for us to address the topics around
9 resiliency.

10 So again I applaud you, Mr. Chairman. I am very
11 proud of two of my staff for the work product that they put
12 forward in this discussion, and commend you all, and thank
13 you for your support of the Philadelphia Eagles as part of
14 your employment contract.

15 (Laughter.)

16 COMMISSIONER POWELSON: Let me also on a serious
17 note take this opportunity to applaud numerous state
18 commissions right now who are actively pushing regulated
19 utilities to address the historic tax reform measure that
20 was signed into law on December 22nd.

21 This historic tax reform measure could provide
22 utility customers across the U.S. sizeable rate reductions
23 on their transmission and distribution rates. In some
24 cases, customers are looking at between \$80 and \$90 per year
25 in potential rate reductions.

1 From Montana to Maryland PUCs are urging
2 regulated utilities to take immediate action to apportion
3 dollars back to their ratepayers.

4 As state leaders begin to tackle this important
5 issue, I think my colleagues and I need to remain diligent
6 in making sure our formula rates on natural gas pipelines
7 and electric transmission provide immediate reductions--

8 (Another audience interruption.)

9 COMMISSIONER POWELSON: I was on a roll.

10 (Laughter.)

11 COMMISSIONER POWELSON: So I strongly encourage
12 our regulated utilities to expedite their plans with the
13 states, and here at the FERC. And I applaud the American
14 Public Gas Association, along with numerous state PUCs and
15 consumer advocates for expressing concerns on the timeliness
16 of these tax flowbacks to ratepayers. In my view, consumers
17 should not be penalized by slow regulatory review processes
18 that could put direct savings into their pockets and provide
19 them with safe and affordable utility service.

20 Mr. Chairman, I hope that we will do our part to
21 make sure these tax benefits are accrued to the energy
22 consumers here in America. Thank you.

23 CHAIRMAN McINTYRE: Thank you, Commissioner.

24 Commissioner Glick?

25 COMMISSIONER GLICK: Thanks, Mr. Chairman.

1 First of all I want to join my colleagues here in
2 thank you for your leadership on the DOE NOPR Order. I
3 think it was a very wise Order. I think we all came
4 together very well, and again thanks to all the staff and
5 everyone at the Commission, and industry, for the input that
6 was provided.

7 Just on that point, I think it is very important.
8 I do look forward to the comments that are going to be
9 provided both by the RTOs and ISOs, but also by others in
10 the 30-day period after the first 60-day period, and I think
11 it is important that we review that very carefully. But
12 also it's important that if the comments suggest and
13 demonstrate that there really isn't a significant immediate
14 resiliency problem, I think we need to move on to other
15 issues.

16 I know that this particular issue has taken up a
17 lot of the Commission's time. It's kind of sucked the air
18 out of some of the other very important items on the agenda,
19 and I think we need to move forward.

20 Mr. Chairman, I wanted to, if I could, take a
21 moment to introduce the newest member of my team, Liz
22 Sclerno, who has not only joined my office recently but also
23 just joined the Commission. Liz is in my office as an
24 economic advisor.

25 She comes to us with more than a decade of

1 experience on emerging energy issues. First Liz worked with
2 the American Wind Energy Association as an energy market and
3 policy analyst, lead energy market and policy analyst with
4 the AWEA, but also then she was with Siemens where she
5 provided energy market strategy support for a number of
6 years.

7 I am confident Liz is going to provide a very
8 important value here to the Commission as we continue to
9 address the energy transformation that the industry has
10 currently underway in terms of moving forward with cleaner
11 and more efficient energy resources.

12 Mr. Chairman, I wanted to, in the spirit of equal
13 time, I didn't actually rip off the shirt today, but I'll
14 show my Vikings shirt here that I'll be wearing Sunday when
15 they play the Eagles. They had a very easy victory on
16 Sunday, as you might recall--

17 (Laughter.)

18 COMMISSIONER GLICK: --and I would expect they
19 would do the same on Sunday against the Eagles and hope we
20 move on to maybe play the Patriots in a couple of weeks in
21 the Super Bowl.

22 So thank you, Mr. Chairman.

23 CHAIRMAN McINTYRE: Thank you. And welcome to
24 Liz.

25 Madam Secretary, I believe we are ready for our

1 Consent Agenda this morning.

2 SECRETARY BOSE: Thank you, Mr. Chairman. Since
3 the issuance of the Sunshine Act notice on January 11th,
4 2018, Item E-26 has been struck from this morning's agenda.
5 Your Consent Agenda is as follows:

6 Electric Items: E-1, E-3, E-4, E-5, E-6, E-7,
7 E-8, E-9, E-10, E-11, E-12, E-13, E-14, E-17, E-18, E-19,
8 E-20, E-21, E-22, E-23, E-24, and E-25.

9 Gas Items: G-1, G-2 and G-3.

10 Hydro Items: H-1 and H-2.

11 Certificate Items: C-1 and C-2.

12 As required by law with regard to the following,
13 Chairman McIntyre is not participating in Consent Items E-8,
14 E-9, E-20, and E-22. Commissioner Powelson is not
15 participating in Consent Items E-22 and E-25. And
16 Commissioner Glick is not participating in Consent Item
17 E-24. As to E-2, Commissioner LaFleur is concurring with a
18 separate statement. As to E-19, Commissioner LaFleur is
19 concurring with a separate statement. With the exception of
20 E-2 where a vote will be taken after the presentation and
21 discussion of that item later in the meeting, we are now
22 ready to take a vote on this morning's Consent Agenda.

23 The vote begins with Commissioner Glick.

24 COMMISSIONER GLICK: Noting my recusal on Item
25 E-24, I vote aye.

1 SECRETARY BOSE: Commissioner Powelson.

2 COMMISSIONER POWELSON: Noting my recusal on E-22
3 and E-25, I vote aye.

4 SECRETARY BOSE: Commissioner Chatterjee.

5 COMMISSIONER CHATTERJEE: Aye.

6 SECRETARY BOSE: Commissioner LaFleur.

7 COMMISSIONER LaFLEUR: Noting my concurrence on
8 E-19, I vote aye.

9 SECRETARY BOSE: And E-2, as well?

10 COMMISSIONER LaFLEUR: I'm sorry, I thought that
11 wasn't on the Consent Agenda. You're right. I am
12 concurring on E-2, also.

13 SECRETARY BOSE: And Chairman McIntyre.

14 CHAIRMAN McINTYRE: Noting my various recusals
15 which you have listed, I vote aye.

16 SECRETARY BOSE: Thank you. We are now ready to
17 move on to the Discussion and Presentation Items.

18 The first item is E-2 concerning a Draft Notice
19 of Proposed Rulemaking on Certain Supply Chain Risk
20 Management Reliability Standards. There will be a
21 presentation by Simon Slobodnik from the Office of Electric
22 Reliability. He is accompanied by Patricia Eke from the
23 Office of Electric Reliability; and Kevin Ryan from the
24 Office of the General Counsel.

25 MR. SLOBODNIK: Good morning, Mr. Chairman and

1 Commissioners:

2 Item E-2 is a draft Notice of Proposed Rulemaking
3 that proposes, pursuant to Section 215 of the Federal Power
4 Act, to approve Supply Chain risk management Reliability
5 Standards CIP-013-1, CIP-005-6 and CIP-010-3. The North
6 American Electric Reliability Corporation submitted the
7 proposed Reliability Standards for the Commission approval
8 in response to a Commission Directive in Order No. 829.

9 The draft NOPR explains that the global supply
10 chain provides the opportunity for significant benefits to
11 customers, including lower cost, interoperability, rapid
12 innovation, and a variety of product features, but that it
13 also enables opportunities for adversaries to directly or
14 indirectly affect the management or operations of generation
15 and transmission companies in a manner that may result in
16 risks to end users such as through the insertion of
17 counterfeits, unauthorized production, tampering, theft, or
18 insertion of malicious software. The draft NOPR proposes to
19 determine that the submitted Reliability Standards augment
20 the currently effective CIP Reliability Standards to
21 mitigate cyber security risks associated with the supply
22 chain for BES Cyber Systems.

23 While proposing to approve the proposed
24 Reliability Standards, the NOPR states that there remains a
25 significant cyber security risk associated with the supply

1 chain for BES Cyber Systems. Specifically, the draft NOPR
2 explains that the proposed Reliability Standards exclude
3 Electronic Access Control and Monitoring Systems (EACMS),
4 Physical Access Controls Systems (PACS), and Protected Cyber
5 Assets (PCAs), with the exception of the modifications in
6 proposed Reliability Standard CIP-005-6, which applies to
7 PCAs.

8 To address this gap, pursuant to Section
9 215(d)(5) of the FPA, the draft NOPR proposes to direct NERC
10 to develop modifications to NERC to develop modifications to
11 the CIP Reliability Standards to include EACMS associated
12 with medium and high impact BES Cyber Systems within the
13 scope of the supply chain risk management Reliability
14 Standards.

15 In addition, the draft NOPR proposes to direct
16 NERC to evaluate the risks presented by PACS and PCAs in the
17 study of cyber security supply chain risks requested by the
18 NERC Board of Trustees in its Resolution of August 10, 2017.
19 The draft NOPR further proposes to direct NERC to file the
20 Board of Trustees-requested study's interim and final
21 reports with the Commission upon their completion. The
22 draft NOPR also proposes to shorten the implementation
23 period proposed by NERC.

24 This concludes the presentation, and we will be
25 happy to take any questions you may have.

1 CHAIRMAN McINTYRE: Thank you very much, Mr.
2 Slobodnik. Thank you to you and the entire team that worked
3 on this.

4 I do not have any questions, but I will turn it
5 over to my colleagues for those who do, or for comments.

6 COMMISSIONER LaFLEUR: Thank you very much, Mr.
7 Chairman. Thank you, Simon, Kevin, Patricia, and everyone
8 who worked on this.

9 I do have one question, but first I want to make
10 a couple comments to explain my previously announced
11 concurrence on this item.

12 I am writing separately to explain why I am
13 supporting today's Order even though I dissented from the
14 previous Commission Order directing the development of the
15 Supply Chain Standards.

16 I certainly share, as I said in my earlier
17 dissent, the Commission's concern about supply chain threats
18 which I think are an important vulnerability to the bulk
19 electric system. They are also a unique challenge, given
20 the jurisdictional, commercial, and other complications
21 involved in our regulating them.

22 I dissented earlier because I thought the
23 Commission proceeded too quickly to final rule to require a
24 standard without having sufficiently worked with NERC,
25 industry, and other stakeholders on how to design an

1 effective and auditable standard in this very complex area.
2 And I was concerned that that might actually lead to a
3 process that delayed effective mitigation of supply chain
4 risks.

5 In voting for today's Order, though, I realized
6 that the choice before us now is not the same choice we had
7 in July 2016. I acknowledge that a tremendous amount of
8 time went into preparing and developing this standard in
9 response to a duly ordered Commission Order. Even though I
10 didn't vote for it, it still has the force of law. And most
11 importantly, even though the standards are quite general
12 that we're approving, just more of a general framework
13 today, I do agree they are an improvement, however modest,
14 an improvement over the status quo.

15 And I don't believe that saying no and remanding
16 them would be a step forward. I think we are better off to
17 improve them and then work--to approve them, and then work
18 to improve them going forward.

19 I also think, given the discretion of
20 implementation that the standard that we're proposing to
21 approve would allow, it's going to be particularly important
22 to assess over time how different registered entities
23 comply, and how effective their compliance is. And I am
24 particularly interested in feedback from commenters on this
25 NOPR on how we should assess--a lot of alliteration today--

1 assess the success--

2 (Laughter.)

3 COMMISSIONER LaFLEUR: --of the standards and any
4 reporting obligations that we should put in place. And so I
5 hope we get comment on that.

6 As for my question. Simon, you mentioned that
7 the Order proposes to direct NERC to include EACMS,
8 Electronic Access Control and Monitoring Systems, associated
9 with high- and medium-impact assets in the Standards which
10 were not in the final Standard that got the industry vote.

11 Could you explain a little bit more about the gap
12 you identified, and why you are proposing to address it in
13 the Standard?

14 MR. SLOBODNIK: Sure. One function of the EACMS
15 is to prevent malware or malicious actors from gaining
16 access to the BES cyber systems and to protect the cyber
17 assets.

18 So we're dealing with EACMS, PACs, and PCAs. So
19 if PACs were to be compromised, the attacker would still
20 require physical access or presence in the facility to take
21 advantage of that compromise. And to compromise a protected
22 cyber asset, you typically have to go through an EACMS. So
23 you have to still compromise an EACMS in order to compromise
24 a PCA in most cases.

25 So that is why we believe an EACMS is the most

1 likely route of attack, therefore representing the highest
2 risk.

3 COMMISSIONER LaFLEUR: So EACMS, which is not
4 exactly a well-known acronym, at least until today, is like
5 the system that controls the perimeter?

6 MR. SLOBODNIK: Right. It would be any kind of a
7 firewall, or intrusion detection or protection system. So
8 it's sole function is literally to control access.

9 COMMISSIONER LaFLEUR: Well thank you. I
10 certainly agree with that proposal to require--the proposal
11 that we require that change in the Standard. But as always
12 we hope for robust commentary on this.

13 Thank you, very much.

14 CHAIRMAN McINTYRE: Thank you, Commissioner.

15 Commissioner Chatterjee?

16 COMMISSIONER CHATTERJEE: Thank you. And thank
17 you to the team for your great work on this. Supply chain
18 security is, without a doubt, one of the most important
19 topics before this Commission. But as I have quickly
20 learned, it is also one of the most difficult to address.

21 While we face a number of varied and complex
22 cyber security challenges, the issue of Supply Chain is
23 among the most daunting because the Commission does not have
24 jurisdiction over the entities that can manage Supply Chain
25 risks--namely, the manufacturers and vendors.

1 As Commissioner LaFleur described, the unique
2 nature of this challenge spurred a robust debate about how
3 to proceed, which ultimately led to the proposed Reliability
4 Standard before us.

5 While I agree with my colleagues that the
6 Standard is certainly not a panacea, it is an important step
7 forward to tackle a tough problem. I also agree that
8 because of the unique nature of Supply Chain threats and the
9 standards process focus requirements, that it will be
10 particularly important to revisit the standard after several
11 years of experience to see what is working and what aspects
12 could be improved.

13 But again, today's Order is a good step in the
14 right direction and I want to express my sincere
15 appreciation to both NERC and industry for their efforts
16 thus far.

17 I look forward to our continued collaboration on
18 this significant issue. Thank the team again. I don't have
19 any questions to add to that.

20 CHAIRMAN McINTYRE: Thank you, Commissioner.

21 Commissioner Powelson, do you have any questions?

22 COMMISSIONER POWELSON: Thank you, Mr. Chairman.

23 Let me also take this opportunity to thank Simon, Patricia,
24 and Kevin and the entire team for their work on today's
25 presentation. And I want to thank our stakeholders at NERC,

1 industry stakeholders and our current and former FERC
2 Commissioners--yes, including you, Commissioner LaFleur--

3 COMMISSIONER LaFLEUR: Thank you, Commissioner
4 Powelson.

5 (Laughter.)

6 COMMISSIONER POWELSON: You're welcome.

7 (Laughter.)

8 COMMISSIONER POWELSON: See, we're all collegial
9 here before a football game.

10 (Laughter.)

11 COMMISSIONER POWELSON: In advancing this topic, I
12 think it speaks to the evolution of the work of this
13 Commission and our outreach we've done. I see Joe McClellan
14 again at the end of the table, in terms of what we're doing
15 as a federal agency to really develop cyber protocols.

16 In voting for today's Order, I too believe that
17 the proposed Supply Chain Management Standards represent a
18 significant improvement over the status quo in an area of
19 considerable complexity and global scope.

20 As a result, I believe it is important that the
21 proposal also preserves flexibility for responsible entities
22 to address rapidly changing supply chain risk in a proactive
23 and objective based manner.

24 While I was only an interested FERC observer
25 during the Commission's Supply Chain proceedings and related

1 technical conferences that have informed today's proposal, I
2 have come to appreciate the significant time and hard work
3 that the Commission has done year-to-date on this topic.

4 And I am therefore hopeful that going forward the
5 Commission, NERC, and all the stakeholders can continue to
6 work efficiently and proactively to ensure that our efforts
7 to address cyber threats and protect critical
8 infrastructure respect the balance between the need for
9 swift implementation of standards, and adequate time for
10 planning, development, and drafting.

11 In addition, Joe, again, the work--this was all
12 part of a discussion that you've had with state leadership
13 as well, helping them with their development of cyber
14 protocols, penetration tests, and I think this will also
15 serve as a great topic for the NARUC Critical Infrastructure
16 Committee. And Nicky and I applaud the work that's been
17 done here today. Thank you.

18 CHAIRMAN McINTYRE: Thank you, Commissioner.

19 Commissioner Glick?

20 COMMISSIONER GLICK: Thanks, Mr. Chairman. And
21 thanks to the team for the very helpful presentation. It's
22 a very, very interesting and very important issue.

23 I believe that today's action is a good start
24 toward addressing one of the most important elements in
25 protecting the bulk power system, the security of the Supply

1 Chain. There is a recent ICF report that was prepared for
2 the Department of Energy that identified the Bulk Power
3 System--that the Bulk Power System is growing increasingly
4 reliant on imported--or critical components that are
5 manufactured overseas. And that is obviously of growing
6 concern.

7 We have to address issues such as software
8 integrity and vendor risk management controls which are
9 critical components to protecting the grid.

10 Today's proposed Reliability Standards are an
11 important first step to address these risks, but I think
12 more needs to be done.

13 I would like to ask the team a question, though,
14 on this very point regarding the rulemaking's focus on
15 medium- and high-impact facilities instead of low-impact
16 facilities. As I understand it, the Ukrainian Grid attack,
17 the successful attack that occurred in 2015 was a result of
18 simultaneous attacks on a variety of low-impact facilities.
19 And I was curious why, or I was hoping the team could
20 provide some information why you chose at this point in
21 drafting the proposed rulemaking to exclude low-impact
22 facilities from the Supply Chain Requirement.

23 MS. EKE: Thank you for that question,
24 Commissioner Glick. Regarding the difference in facilities,
25 those cyber systems are usually categorized according to the

1 adverse impact that the loss, compromise, or misuse of the
2 systems could have and effect the reliable operations of the
3 Bulk Electric System.

4 For example, a high-impact BES cyber system would
5 be a control center that belongs to a Reliability
6 Coordinator. A medium-impact BES cyber system would be a
7 transmission facility that's operating at 5kV or higher.
8 And then a low-impact BES cyber system would be a
9 transmission substation operating below 200 kV.

10 In NERC's petition, they did state that
11 low-impact BES cyber systems have a lower risk profile than
12 medium- and high-risk cyber systems. And as a result,
13 instituting protections to low-impact BES cyber systems
14 could divert resources from protecting medium- and high-risk
15 BES cyber systems.

16 And so our NOPR does not propose including
17 low-impact BES cyber systems in the proposed Reliability
18 Standards in order to give NERC an opportunity to conduct
19 the NERC, the Board of Trustees' Study which directs NERC to
20 study the nature and complexity of Supply Chain risks,
21 including the risks associated with low-impact BES cyber
22 systems.

23 COMMISSIONER GLICK: Thank you. That's helpful.

24 CHAIRMAN McINTYRE: I think Commissioner LaFleur
25 has a brief follow up.

1 COMMISSIONER LaFLEUR: I'm going into overtime
2 here, but since Commissioner Powelson appropriately
3 recognized the work of Joe McClelland and his team,
4 especially with the states and outside stakeholders, I just
5 wanted to thank Mike Bardee and everyone in the Office of
6 Electric Reliability who are the ones who work on the
7 Commission's behalf with NERC on our mandatory standards
8 process and lead us in our consideration and development of
9 these standards. And although I've been a thorn in your
10 side on Supply Chain for a long time, I think they do a
11 great job. So thank you.

12 CHAIRMAN McINTYRE: Indeed. Thank you,
13 Commissioner.

14 Madam Secretary, with that I believe we're ready
15 for the vote on this matter.

16 SECRETARY BOSE: Thank you, Mr. Chairman. And the
17 vote begins with Commissioner Glick.

18 COMMISSIONER GLICK: Aye.

19 SECRETARY BOSE: Commissioner Powelson.

20 COMMISSIONER POWELSON: Aye.

21 SECRETARY BOSE: Commissioner Chatterjee.

22 COMMISSIONER CHATTERJEE: Aye.

23 SECRETARY BOSE: Commissioner LaFleur.

24 COMMISSIONER LaFLEUR: Noting my concurrence, I
25 vote aye.

1 SECRETARY BOSE: And Chairman McIntyre.

2 CHAIRMAN McINTYRE: Aye.

3 SECRETARY BOSE: That concludes this morning's
4 agenda.

5 CHAIRMAN McINTYRE: Thank you. Let me ask my
6 colleagues, does anyone have anything further?

7 (No response.)

8 CHAIRMAN McINTYRE: In that event, this meeting is
9 adjourned.

10 (Whereupon, at 10:35 a.m., Thursday, January 18,
11 2018, the meeting of the Commissioners of the United States
12 Federal Energy Regulatory Commission was adjourned.)

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1 CERTIFICATE OF OFFICIAL REPORTER

2

3 This is to certify that the attached proceeding
4 before the FEDERAL ENERGY REGULATORY COMMISSION in the
5 Matter of:

6 Name of Proceeding:

7 CONSENT ELECTRIC, CONSENT GAS,
8 CONSENT HYDRO, CONSENT CERTIFICATES,
9 MISCELLANEOUS, DISCUSSION ITEMS,
10 STRUCK ITEMS

11

12 1039th Commission Meeting

13

14

15 Docket No.:

16 Place: Washington, DC

17 Date: Thursday, January 18, 2018

18 were held as herein appears, and that this is the original
19 transcript thereof for the file of the Federal Energy
20 Regulatory Commission, and is a full correct transcription
21 of the proceedings.

22

23

24

Larry Flowers

25

Official Reporter