

# Cyber Security and Cost Recovery

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# Current State Approaches to Cost Recovery

- The Good, the Bad and the Uncertain
- Two Major Categories
  - Restructured States
  - Traditional States
- Conclusions

# Good, Bad and Uncertain

- There are a number of approaches that state commissions can employ in reviewing the costs of “modernizing the grid”
- Cyber security is just one of these costs
- You need to keep this in mind when examining commission policy
- The costs of upgrading, adding smart grid and all software starts to added up

# Regulatory Perspective

- Whether in traditional or Restructured states the issue is cost and the approach is present discounted value.
- Smart grid and cyber security are front end loaded programs with “uncertain” benefits
- Even large long-term benefits get significantly reduced in the discounting process
- Regulators are economist not engineers so they ask how much and why

# Status of Revenue Recovery

- Good
  - California
- Bad
  - Maryland
- The Uncertain
  - New York
  - Illinois

# Conclusions

- Expect an uphill struggle
- Smart grid benefits look like they are oversold
  - As market prices slide down harder to show net benefit
- Prudence reviews
  - Any cost overruns will be looked at closely