

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

The Ritz-Carlton Hotel
Salon I
1150 22nd Street, NW
Washington, DC 20037

BUSINESS MEETING AGENDA

Tuesday, July 8, 2008
1:30 – 4:30 p.m. EDT

- I. ROLL CALL OF MEMBERS/SWEARING-IN** *Carlos Kizzee*, Alternate Designated Federal Officer (ADFO), NIAC, Department of Homeland Security (DHS)
- II. OPENING OF MEETING** *Carlos Kizzee*, ADFO, NIAC, DHS
- III. OPENING REMARKS AND INTRODUCTIONS**
NIAC Chairman *Erle A. Nye*, Chairman Emeritus, TXU Corp.
NIAC Vice Chairman, *Alfred R. Berkeley III*, Chairman and CEO, Pipeline Trading, LLC
Michael Chertoff, Secretary, DHS
- PARTICIPATING BUT NOT EXPECTED TO MAKE REMARKS:**
Robert B. Stephan, Assistant Secretary for Infrastructure Protection, DHS
Dr. Kevin J. Reardon, Deputy Assistant Secretary for Infrastructure Protection, DHS
Kenneth L. Wainstein, Assistant to the President for Homeland Security/Counter Terrorism (APHS/CT), Homeland Security Council (invited)
- IV. APPROVAL OF APRIL 2008 MINUTES** NIAC Chairman *Erle A. Nye*
- V. WORKING GROUP STATUS UPDATE** NIAC Chairman *Erle A. Nye* Presiding

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 2

A. THE FRAMEWORKS FOR DEALING WITH DISASTERS AND RELATED INTERDEPENDENCIES WORKING GROUP

Edmund G. Archuleta, President and CEO, El Paso Water Utilities, NIAC Member, NIAC Member; *James B. Nicholson*, Chairman and CEO, PVS Chemicals, Inc., NIAC Member; and *The Honorable Tim Pawlenty*, Governor, The State of Minnesota, NIAC Member

B. THE CRITICAL INFRASTRUCTURE PARTNERSHIP STRATEGIC ASSESSMENT WORKING GROUP

Alfred R. Berkeley III, Chairman and CEO, Pipeline Trading, LLC, NIAC Member, *Margaret E. Grayson*, President, Coalescent Technologies, Inc., NIAC Member, *Chief Gilbert L. Gallegos (retired)*, Chief of Police, City of Albuquerque, New Mexico, NIAC Member, and *Michael J. Wallace*, Vice Chairman, Constellation Energy

VII. NEW BUSINESS

NIAC Chairman *Erle A. Nye*, Vice Chairman *Alfred R. Berkeley III*, NIAC Members

VIII. CLOSING REMARKS

Robert B. Stephan, Assistant Secretary for Infrastructure Protection, DHS

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 3

MINUTES

NIAC MEMBERS PRESENT IN WASHINGTON:

Mr. Erle A. Nye; Mr. Alfred R. Berkeley III; Mr. Edmund G. Archuleta; Dr. Craig R. Barrett; Mr. David J. Bronczek; Mr. Wesley Bush; Ms. Margaret E. Grayson; Mr. Phillip Heasley; Mr. David Kepler; Mr. Thomas E. Noonan; Hon. Tim Pawlenty; Mr. Gregory Peters; Mr. James A. Reid; Dr. Linwood H. Rose; Mr. Matthew Rose; Mr. Michael Wallace; Mr. John Williams; and Ms. Martha Wyrsh.

NIAC MEMBERS ATTENDING VIA CONFERENCE CALL:

Lt Gen (USAF) Albert J. Edmonds; Chief (ret.) Gilbert G. Gallegos; Mr. James B. Nicholson; Mr. Bruce A. Rohde; and Mr. Greg Wells.

MEMBERS ABSENT:

Mr. George H. Conrades; Mr. D.M. Houston; Commissioner Raymond W. Kelly; Ms. Martha H. Marsh; and Mr. John W. Thompson.

SUBSTANTIVE POINTS OF CONTACT PRESENT IN WASHINGTON:

Mr. Bill Muston (for Chairman Nye); Dr. Ronald Luman (for Vice Chairman Berkeley); Mr. Kevin J. Nietmann (for Mr. Wallace); Ms. Frances Paulson (for Mr. Bronczek); Mr. Jason Rohloff (for Governor Tim Pawlenty); and Mr. Vance Taylor (for Mr. Archuleta).

SUBSTANTIVE POINTS OF CONTACT ATTENDING VIA CONFERENCE CALL:

Mr. Peter Allor (for Mr. Thomas E. Noonan) and Lt Paul Mauro (for Commissioner Raymond W. Kelly).

OTHER DIGNITARIES PRESENT:

Col Robert B. Stephan, Assistant Secretary for Infrastructure Protection, DHS; Mr. R. James Caverly, Director, Partnership and Outreach Division (POD), and Mr. Carlos Kizzee, ADFO, NIAC, DHS.

OTHER DIGNITARIES ATTENDING VIA CONFERENCE CALL:

Michael Chertoff, Secretary, DHS

I. OPENING OF MEETING

Carlos Kizzee, ADFO, NIAC, DHS

Mr. Carlos Kizzee introduced himself as the ADFO for the NIAC. He welcomed DHS Secretary Chertoff; Mr. Erle A. Nye, NIAC Chairman; Mr. Alfred R. Berkeley III, NIAC Vice Chairman; Col Robert B. Stephan, Assistant Secretary for Infrastructure Protection, DHS; all NIAC Council members and members' staffs present or on the teleconference; other Federal government representatives, as well as members of the press and public. He reminded the members the meeting was open to the public and, accordingly, members should remember to exercise care when discussing potentially sensitive information. Pursuant to his authority as ADFO, Mr. Kizzee called to order the NIAC's 24th meeting and third meeting of 2008.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 4

II. ROLL CALL

Carlos Kizzee, ADFO, NIAC, DHS

After bringing the meeting to order, Mr. Kizzee called roll.

III. OPENING REMARKS AND INTRODUCTIONS

NIAC Chairman Erle A. Nye, Chairman Emeritus, TXU Corp.

Chairman Nye thanked Mr. Kizzee and thanked everyone for attending, specifically thanking the new members in attendance.

He moved to the first order of business, approving the meeting minutes for the April 8, 2008 Business Meeting.

IV. OPENING REMARKS

Secretary Michael Chertoff, DHS,

Chairman Nye welcomed Secretary Chertoff, thanking him for the Council's 11 new members. They bring many different skills and backgrounds.

Secretary Chertoff thanked Chairman Nye for his introduction and added he really appreciated the NIAC's service in helping strengthen America's homeland security. He also said he was pleased to welcome the NIAC's 11 new members. Culling leadership from a cross-sector of critical infrastructure organizations represents a significant strong point for the Council.

As the Council is aware, past NIAC reports and recommendations have helped DHS achieve many things including developing threat mitigation programs against insiders, and addressing numerous different cyber security elements.

DHS has been able to significantly contribute to risk management and enhancing the cooperation between the government and the private sector.

Secretary Chertoff said that the April NIAC business meeting featured the final recommendations from the Insider Threats to Critical Infrastructures Working Group and the Council and heard status reports from the two newest Working Groups. These two groups are addressing issues the Department will really focus on over the next 5 years. Looking at how to deal with how we are all interlocked when it comes to facing disasters. Additionally, we need to focus on strategic and not simply tactical issues when it comes to critical infrastructures.

The Secretary noted that the vast majority of our national assets are in private hands. Over the past few years, one of the most successful things he noticed were actions that helped develop the public-private sector partnership, identify what needs to be done, and then permit the private sector to meet those requirements. DHS understands that the people who own and operate critical infrastructure are as dedicated as anyone to protect their employees, assets, and stakeholders. What these owners and operators need is the

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 5

ability to tell the Department when to help them as well the ability to obtain a clear sense of what they can do to raise their security.

He concluded his remarks by saying he thought the public-private partnership represented a great model going forward.

Chairman Nye thanked Secretary Chertoff for his comments and his support of the Council's work.

Chairman Nye thanked the Secretary

V. APPROVAL OF APRIL 8, 2008 NIAC MEETING MINUTES

*NIAC Chairman Erle A. Nye,
Chairman Emeritus, TXU Corp.*

Chairman Nye asked the Council if there were any suggested revisions to the April outside of an attendance adjustment. The Council asked for an attendance revision and moved and seconded the minutes' approval with the recommended change.

VI. WORKING GROUP STATUS UPDATE

*NIAC Chairman Erle A. Nye
Presiding*

A. THE FRAMEWORKS FOR DEALING WITH DISASTERS AND RELATED INTERDEPENDENCIES WORKING GROUP

*Edmund G. Archuleta, President and
CEO, El Paso Water Utilities,
NIAC Member, James B.
Nicholson, Chairman and CEO, PVS
Chemicals, Inc., NIAC Member; and
The Honorable Tim Pawlenty,
Governor, The State of Minnesota,
NIAC Member*

Chairman Nye said he anticipated hearing the Working Group's status update and turned the floor to Mr. Edmund G. Archuleta, Working Group Co-Chair.

Mr. Archuleta thanked Chairman Nye for the introduction and expressed his gratitude to his fellow Co-Chairs, Governor Tim Pawlenty from the State of Minnesota, and Mr. James B. Nicholson.

After much deliberation, *The Frameworks for Dealing With Disasters and Related Interdependencies Working Group* solidified its approach to the study by agreeing to tackle the project by utilizing a scenario-based approach. The Working Group fully recognizes some of the issues it might potentially address have been previously examined by other studies and seeks to avoid duplicating previous efforts. It intends to leverage past work done by organizations such as the National Infrastructure Simulation and Analysis Center (NISAC) and will examine three different scenario types:

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 6

- Accidents,
- Terrorist incidents, and
- Natural disasters.

These scenarios offer a wide range of study possibilities. Furthermore, the Working Group will likely use three base sectors for its case studies:

- Electricity,
- Telecommunications, and
- Water.

Since the Working Group's inception following the January 8, 2008 NIAC Business Meeting, it maintains an aggressive approach towards completing its mission. Through weekly recurring teleconferences and planned face-to-face workshops, it clarified its approach. The Working Group recognizes the complexity of its task and plans to present its final report and recommendations at the April 2009 NIAC Business Meeting.

With that, Mr. Archuleta introduced Study Group member Mr. Bill Muston to present some specifics to the Council.

Mr. Muston thanked Mr. Archuleta, Governor Pawlenty, Mr. Nicholson, and the NIAC. He stated the Study Group enjoys participation from many key critical infrastructure/key resources (CIKR) sectors.

He asserted he wanted to address the study's objective, timeframe, and approach as well as open the floor to any questions from the Council. He noted this effort sought to focus on physical disasters as opposed to cyber disasters. These physical disasters represent a localized incident. While a physical disaster might directly impact local critical infrastructure, the disaster's effects often cascade far beyond just the local environment.

As Mr. Archuleta stated, this study revolves around three core components:

- Regional Cooperation Framework,
- Interdependencies, and
- Legal Frameworks.

The Regional Cooperation Framework examines how local, state, and Federal authorities might work together within a common framework to support a recovery of the impacted critical infrastructure. This certainly exists within the public welfare response where procedures exist for natural disasters. The Study Group believes this kind of planning must exist in supporting other critical infrastructures in its response and recovery.

Interdependencies represent another crucial element of the study. The Study Group will examine how interdependencies among infrastructures come to bear, both for those

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 7

serving as suppliers to the affected areas as well as those depending upon the impacted infrastructure.

Legal frameworks also play an integral role. Evaluating what legal impediments currently exist and determining if some changes would help bolster response and recovery remain an important facet of the Study Group's task. Another way to look at this involves considering if any additional authorities could be identified that might aid a response and recovery.

Mr. Berkeley asked Mr. Muston if he would speak to the study New York City currently has underway.

Mr. Muston stated that a law firm currently is examining some of these legal issues on a pro bono basis. Their work has been in the context of New York City as well as the entire State of New York. This group is working to establish an information-gathering session to allow the Study Group to better understand the ongoing efforts. He added he understood the firm identified some challenges and gaps to better prepare New York City for an incident. The Study Group hopes the firm's efforts might also apply to situations in or localities.

Governor Pawlenty added that the Governor of each state is able to declare a state of emergency and take additional actions, which vary from state to state. Additionally, a series of laws exists relating to Federal active duty military involvement versus National Guard active duty involvement. This is something the National Governors Association (NGA) has examined. He wanted to express his gratitude that this was included in the study's goals as it represents a source of confusion

Chairman Nye thanked Governor Pawlenty for his comments.

Mr. Muston continued, saying the Study Group's initial approach involves selecting a single sector and focus on that as a case study. Looking at this sector should help the Study Group identify more generalized information it can extrapolate out. As Mr. Archuleta previously indicated, the Study Group currently considering three sectors:

- Electricity,
- Telecommunications, and
- Water.

Each of these three sectors provides critical inputs to all other sectors. Their loss is felt almost immediately.

Chairman Nye asked if they considered a fourth sector.

Mr. Muston replied there were numerous sectors that likely could fit into that role. Mr. Muston said the Study Group considered these three sectors the most critical.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 8

Mr. Peters asked if telecommunications also included the internet.

Mr. Muston replied he thought it would.

Chairman Nye said it should for this purpose.

Mr. Muston continued, saying that the selection of the three scenarios is not easy, and the study group welcomes any input.

NISAC provided the group with inputs. They have performed simulations addressing these kinds of studies. The Study Group believes that the NISAC has conducted past studies that might prove beneficial to the Frameworks effort.

The group's scenario-based approach involves taking one infrastructure and examining the impact of a specific event as it cascades through the sectors.

He added the Study Group is examining a facilitated event seminar that will allow the group to set the scenario, identify all the correct players, conduct the seminar in a fashion to clearly capture all the thoughts in a manner that can then be recreated.

The goal remains to develop a sustainable, repeatable process with quantitative results where possible.

Governor Pawlenty asked if it was also possible to examine post-mortem analyses both in the corporate world and in the government sphere to find nuggets of wisdom associated with what worked or did not work.

Mr. Muston said he thought this would be an excellent addition to the efforts. Lessons learned could certainly prove to be a valuable resource.

The Governor said he thought these kinds of analyses might be reluctantly offered but if the Working Group could deattribute the sources, they might find better private sector participation.

NIAC Member Mr. David Bronczek added that real-life examples such as natural disasters would be more publicly available.

Chairman Nye said he thought these would be welcome additions to the exercise.

Mr. Muston concurred, saying that the Study Group's structured approach sought to ensure this style of study could work across sectors.

Governor Pawlenty said the study sought to focus on one sector as opposed to all three different sectors. Some feedback from the Council would be especially helpful.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 9

With that, Mr. Muston returned the floor to Mr. Archuleta.

Mr. Archuleta said this effort offered a solid chance for the new members to get involved in a NIAC Working Group.

Chairman Nye said the Council knew when it undertook this project it would be very expansive and complex. This also means the results could be very valuable to both the public and private sectors.

Mr. Berkeley reiterated Mr. Archuleta's point about this study offering an excellent opportunity to become involved.

This particular study is one of the more important ones the Council is doing because the sector interdependencies represent a highly sophisticated problem and it really takes some serious consideration.

Governor Pawlenty added that if the Council is looking to select just one of these sectors, then it might be best to ask DHS which ones have been least researched rather than assigning a value to it on an anecdotal basis.

Chairman Nye said he understood the complexities of three sectors versus one, but he feared the Working Group would not get the result it was seeking if it remained intent on one.

Governor Pawlenty commented that some of these sectors ripple through all of the other sectors. For example, a power outage would cascade through numerous other sectors.

Mr. Archuleta added this was the case for water as well.

Mr. Muston said the thought was that the different scenarios would pose different legal ramifications for each. All three scenarios would be examined in their effect on one specific sector.

Mr. Peters said that if they did select energy, it could be just power in general. He also asked if the Working Group would also provide recommendations on how to communicate responses or solutions to those affected.

Mr. Archuleta said this point had not yet been discussed and the Working Group would examine this in the immediate future.

Chairman Nye reminded the Working Group to avoid duplicating efforts from the National Security Telecommunications Advisory Council (NSTAC).

In closing, Mr. Kepler and Mr. Archuleta both advocated staying on course with one sector.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 10

Chairman Nye thanked the Working Group and moved on to the *Critical Infrastructure Partnership Strategic Assessment Working Group* with Ms. Margaret E. Grayson, Chief Gilbert G. Gallegos, and Mr. Michael J. Wallace.

B. THE CRITICAL INFRASTRUCTURE PARTNERSHIP STRATEGIC ASSESSMENT WORKING GROUP

Alfred R. Berkeley III, Chairman and CEO, Pipeline Trading, LLC, NIAC Member, Margaret E. Grayson, President, Coalescent Technologies, Inc., NIAC Member, *Chief Gilbert L. Gallegos (retired)*, Chief of Police, City of Albuquerque, New Mexico, and Michael J. Wallace, Vice Chairman, Constellation Energy

Ms. Grayson opened the presentation by expressing her gratitude to Chairman Nye, Vice Chairman Berkeley, the members of the Council, and the attendees present at the meeting for the opportunity to provide this status briefing on the Critical Infrastructure Partnership Strategic Assessment Working Group.

Ms. Grayson added that there has been a significant amount of work done in the Partnership over the past 5 years, and as the Working Group opened this Study, we recognized that in addition to DHS' work and the ideas laid out in the National Infrastructure Protection Plan (NIPP), that the relationships built on the government side and in many cases on private-sector side provide a tremendous foundation to take this critical infrastructure partnership another step forward.

Ms. Grayson continued with a slide presentation of the outcomes of the Study's work. The objective of the Study was to examine the sector partnership model and look at critical infrastructure protection in a way to identify opportunities to strengthen what currently exists. It remains important to look for which policy would potentially allow the public and private sectors to come together in a way aligning their respective roles and responsibilities to improve protection of the Nation as well as the vital services these critical infrastructures and key resources provide.

To achieve this, the Study began by assessing the effectiveness of what exists today – the partnership model already in progress. Next, the Study sought to identify options to improve the efficiency and effectiveness of those partnerships – what does and what does not work. Then the Working Group can look at what can be strengthened and identify different perspectives on how to approach these gaps as the partnership moves from this initial foundation into the next iteration of a more robust and protective partnership.

For the benefit of the new NIAC members present, Chairman Nye added that the partnership is a subject the NIAC has visited before and an issue where a fair amount has already been achieved by the creation of the Sector Coordinating Councils (SCCs) for

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 11

each CIKR sector. The question remains about how effectively does the Partnership work and is there a way to make it better? We all certainly agree that we can make it work better.

He continued, explaining that one of the items likely to emerge from this study is encouragement for chief executives among some larger enterprises in each sector to participate in the partnership. Our challenge is to ensure leaders in each sector are aware of the Partnership's potential and the need for participation.

Ms. Grayson agreed, asserting that Chairman Nye made an extremely important point and as the Working Group evaluates how to increase executive-level participation, this issue has become a front-and-center discussion point for the Study Group.

She continued the presentation with a discussion on the project's scope that examines the sector partnership model as described in the NIPP and other partnership foundational documents. The Critical Infrastructure Partnership Advisory Council (CIPAC) allows communication between the public and private sectors in a legally sanctioned environment for coordination on infrastructure protection issues.

The CIPAC's umbrella remains limited to the 18 CIKR sectors as defined by the NIPP. The Study also includes the investigation of the design, governance structure, operations, and processes of the partnership. Ms. Grayson added this study is also examining the ability to draw the private-sector executive-level insight and participation to ensure the relationship works and functions as a true partnership.

Ms. Grayson concluded her remarks, handing over the presentation to her colleague and Working Group Co-Chair Michael J. Wallace, thanking him for his active and involvement in the Study Group developments to date.

Mr. Wallace opened his remarks by thanking Ms. Grayson, Chairman Nye, and Vice Chairman Berkeley for the opportunity to work on this Working Group of very dedicated individuals.

Mr. Wallace began to discuss the Working Group's planning that identified three phases for the study. The first phase consisted of a situational assessment to look at where the partnership stands, what is working, what is not working quite as well, and what are the strengths that we can build upon. As the Chairman indicated, a foundation already exists that the Working Group wants to strengthen and advance. With a solid understanding of the partnership, the Working Group will be able to identify the gaps to achieving an even better working method as well as a stronger partnership. This assessment phase is now complete.

The second phase included identifying opportunities for how the Working Group could close the identified gaps to achieve a more efficient and effective partnership model, advancing critical infrastructure protection to a higher level. In considering options to improve the partnership, the Working Group also examined some experiences of other

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 12

partnership-type relationships with the intention of gleaning some key characteristics that would help us as we move forward and determine the best approaches to improving the public-private partnership model. This second phase is also now complete.

Therefore, the Working Group is now in the third phase focusing on developing recommendations from the findings, the options, and the assessment. It has received a great deal of excellent input and the Working Group is now beginning to mature the recommendations.

Mr. Wallace added he was very pleased to show the Council the breadth and depth of NIAC member participation. Interestingly, we recruited several Study Group members from outside the NIAC fully unaware they would soon become full-fledged Council members. He added he was pleased with the tremendous participation in the Study Group CEO Roundtable. The Working Group truly appreciates the input and participation of all the NIAC members who participated.

Mr. Wallace thanked two individuals in particular because their experience is critical to how the Working Group and its supporting Study Group will proceed with the recommendations. Mr. Don Donahue, Chairman and CEO of the Depository Trust and Clearing Corporation served as the Partnership for Critical Infrastructure Security (PCIS) from 2005 to 2006 timeframe. Next, Mr. Wallace recognized Mr. Ken Watson, a Senior Manager with Cisco Systems in the Information Technology Sector and current PCIS Chairman. PCIS is the group of SCC chairs, representing each of the critical infrastructure and key resource sectors. PCIS is the highest-level private sector body for government interaction in critical infrastructure protection through the partnership, and as such, PCIS is a critical interface for government in the partnership. The experience and the frustrations of PCIS are very important input to this NIAC study.

Mr. Wallace also noted that he himself served as the most recent PCIS Chairman beginning in 2007 and ending in April 2008. Three Study Group participants have had the experience of leading PCIS, bringing this vital partnership perspectives forward solidly to the Study Group.

Vice Chairman Berkeley asked Mr. Wallace to explain PCIS' role in the partnership. Mr. Wallace replied that PCIS functions as an operational-level, security-focused organization. One of the challenges is that policy-level issues frequently move into the PCIS arena as well. PCIS also functions as a cross-sector operational-level body the way it was initially intended. PCIS is a group recognized in the National Infrastructure Protection Plan for its critical interface between the private sector and the public sector.

Moving on in the presentation, Mr. Wallace explained that the Study gathered data for the situational assessment through a series of interviews with selected CEOs and 34 subject matter experts from organizations including the SCCs on the private-sector side and Sector Specific Agencies (SSAs) on the public-sector side, as well as policymakers and also founders who helped to establish the partnership model in the beginning.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 13

To clarify things, the difference between an SCC and PCIS is that SCCs are established for each of the 18 CIKR sectors on the private sector side, while PCIS is a cross-sector council of SCC chairs or individuals designated to represent the sector.

Vice Chairman Berkeley added that from the structure, it becomes evident how this touches CEOs, COOs, and technically competent subordinates in order to go from talk to action on matters of infrastructure protection. Mr. Wallace agreed, stating this represents the foundation the Working Group wants to build off with its recommendations. If it can achieve this, it will be able to improve the effectiveness and efficiency of the sector partnership model with that foundation.

On its weekly conference calls, the Working Group and its supporting Study Group sort through the findings in as efficient a way as possible to set up discussions that will get input and perspectives from the CEO Group on the monthly CEO calls. Typically, the CEO calls feature between 10 to 12 senior executives on this call, and by practice the Working Group has prepared three or four of them to provide a perspective on the current topic to seed the discussion with the rest of the group. The Study Group found this to be a good way to get input and CEO perspectives on the findings. Most importantly, the monthly CEO calls have provided inputs not otherwise predicted by Study Group members, which indicates there is value-added perspective that is coming from these CEO Roundtable calls.

These CEO calls only occur monthly because the Working Group realizes it must respect time commitment that busy executives have. In getting each of them to participate, the Working Group struck an agreement with the CEO group that if they will participate in these calls once a month, it will be capped to one-hour. He said he was pleased to say the Working Group received positive feedback from participants on these monthly calls.

The assessment phase also included staff document reviews of previous NIAC reports with bearing on the subject and other opportunities such as PCIS meetings to get input in a roundtable discussion and dialogue format. The Financial Services Roundtable was another important source for active engagement in getting that kind of input.

Next, Mr. Wallace moved on to a high-level summary discussion of the study's key findings, which in turn, are leading to the suggested recommendations the group is considering now.

The first of these findings is that clearly, the partnership has proven to be very valuable to achieving critical infrastructure protection, but it also needs some adjustment in order to re-energize and reengage with the most important work of partnership. In particular, as we go forward into a new Administration, the partnership will suffer a large-scale turnover of personnel on the public-sector side. It is critically important that we are able to highlight the partnership model's successes and efforts to protect American critical infrastructure. Our perspective and recommendations will also identify how it can be improved to better achieve that.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 14

One item that keeps appearing is that we need stronger executive leadership participation on both the private-sector side and the public-sector side partnership. On the private-sector side, senior leadership became heavily involved right after 9/11 as everyone was dealing with the crisis at hand. Now, many years from 9/11, interest is waning and the level of productive engagement has tapered off. There is very little executive engagement at the PCIS level, but the survival of the partnership requires an elevated level executive engagement. In seeking that outcome, we also need to recognize that senior executives, like everyone around this table, are quite busy with their corporate responsibilities and other activities. The Study does not have a lot of time, and even with the best of intentions, we are limited with the amount of participation we are able to put into this kind of activity. As a result, the Study has arrived at the concept of the scalable executive engagement.

The notion of scalable engagement is built around the understanding that senior executives to engage when there is value to the way they are engaged and the time that is required. Scalable engagement accounts for non-threatening, non-crisis periods with a small commitment to simple annual meetings for executive engagement, along with periodic conference calls for specific issues. This allows senior executives to be engaged, but always in ways that are productive. It also builds critically needed relationships and trust connections in the critical infrastructure protection community and in the partnership.

However, when the environment evolves to real and imminent threats or an event that requires a response, whether it is a natural disaster or terrorist-related, the relationships are established and the trust is there. At this point, because of the scalable engagement model, CEOs will be prepared and able to participate with significant personal time to address the crisis and achieve the actions needed to protect, maintain, or reestablish critical infrastructure services and business operations. The study is going to proceed with developing a scalable model that ties value gained to the amount of time commitment required.

Mr. Wallace continued by explaining that the third point identifies a need to achieve true balance in the partnership – to make this a real partnership of equals between the public side and the private side across the 18 sectors. We have observed that not all private sector partnership organizations are equally able to achieve a high-performing, mature state.

For example, the Nuclear Sector is much more able to engage effectively in the partnership for a number of reasons. One of these is because we are a relatively small sector, with a history of interaction with government, and because the sector is a very tight-knit group with a history of cooperation. It came quite natural to us to work together to engage with government on a very effective and efficient basis. On the other hand, NIAC Member Mr. James Reid from the Commercial Facilities Sector has a more challenging proposition. There are only 104 nuclear plants in the country, but the Commercial Facilities Sector includes tens of thousands, representing a broad range of interests from Disney World to the Sears Tower to the local 7-11 convenience store. This

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 15

is not exactly a homogenous group, and yet they are all part of the Commercial Facilities Sector, which makes them much more challenging to organize. So the question is how do we help sectors like the Commercial Facilities Sector to step up to the level of effectiveness possible in other sectors? This is more challenging and suggests we need to bring some flexibility to how the model works and is applied in each sector.

Mr. Wallace continued, explaining that the Partnership needs to balance the government's requirements as they are imposed, whether it is requests for data and information or perspectives and policy decisions on the private sector, these tasks affects the private sector's ability to respond. We have found that many sectors have been overwhelmed – the private sector is not configured to readily respond to the current demands of the public sector.

There is also a need for more government integration and coordination within the government itself as well as the need for better coordination between the public and private sectors. Largely, we have found the best of intentions by individuals involved all the way around, but the processes for partnering have need for improvement.

The last two areas for Working Group recommendations include cross-sector issues, much like the discussion earlier. How we deal with interdependencies in the partnership is centrally important to the Study. The same is true with respect to information sharing—sharing information that will be useful to private-sector critical protection efforts.

Mr. Wallace concluded the presentation of the Study's overview of findings, and turned the microphone back over to his colleague Ms. Grayson.

Ms. Grayson thanked Mr. Wallace for his presentation and added that it is obvious the information presented has been from a very aggressive Study Group. The outreach process has been extremely rewarding. The Study Group found passionate involvement in the critical infrastructure protection partnership both from the government side and from the private-sector side. Because of this high level of interest, the Working Group believes it will be able to make some very solid and strong recommendations to help move this partnership to a more advanced and productive stage.

In listening to the input from the earlier report, one of the areas where the Working Group remains in data gathering and performing research is the cross-sector interdependency area. This Working Group might reach out to the Frameworks Working Group to de-conflict responsibilities on this issue. The Working Group intends to have the report ready for the October 14 NIAC meeting and currently anticipates it will be able to meet that date.

Chairman Nye thanked Ms. Grayson and asked the Council for any comments or questions on the presentation.

Mr. Bronczek stated that as a new member to the Council and a new participant in the Study, he would like to recognize the fantastic job Mr. Wallace has done. The first CEO

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 16

Roundtable conference call was exceptionally well-done. Mr. Bronczek also commented that a high-level update brief on the 18 CIKR sectors might be a good idea

Chairman Nye replied that he thought this was a good point - this is not only important for new members, but also for long-standing NIAC members. Chairman Nye asked Mr. Wallace if this study could potentially provide the NIAC a briefing on the prospective weaknesses, strengths, and achievements of the 18 sectors.

Mr. Bronczek also added what would be useful to him as a simple executive summary overview so that everyone remains in sync with and understanding of what has been done in the 18 CIKR sectors. Chairman Nye replied that to vote on this report and recommendations, the NIAC probably needs to grow its understanding a bit more. Therefore, we call upon this Working Group's chairs to take that on as a challenge.

Ms. Grayson replied the Working Group would be happy to do that, adding that this would benefit not only the new members but also longstanding NIAC members as a refresher because there's been so much development, progress, and change over the last five years.

Chairman Nye added that as a matter of perspective, in the past hearing from the government in any way was not necessarily a good thing. There has been a transition in this. It might be due to the complexity of our modern society and certainly reflects a greater risk of terrorism and international sabotage as well as other things such as natural disasters. The recent changes necessitate a favorable comment for the folks with whom we have dealt with over the last 10 years. This partnership is truly a more evenhanded approach to bringing the sectors of business and industry in effective interface with government. And now we have this enabling CIPAC structure which allows us to meet on infrastructure protection while avoiding obvious issues of anti-trust and other things. It's been a real partnership, which is the title of this project. This Study is an excellent opportunity to ensure this partnership works.

Vice Chairman Berkeley added that it has been very interesting, even as someone who immersed in this for so long, it remains useful to go back and look at the overall picture and the structure of what has been put together. Some of this existed long before 9/11, but some represents a major move forward. This partnership is a real recognition on the part of the government that they cannot really do this infrastructure protection alone without the private sector helping make it work. It needs to be a partnership to be successful.

Vice Chairman Berkeley continued, saying a host of government councils exist mirroring all of the structure described on the private sector side. Some of these Government Coordinating Councils (GCCs) and organizations on the government side are more effective than others. It might be useful for us to lay out the private sector set of organizations and the government organizations to determine the level of collaboration.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 17

Mr. Wallace thanked Assistant Secretary Stephan for his vision, leadership, and dedication, stating that the Assistant Secretary has served as an inspiring force to move the partnership forward.

Ms. Grayson added she felt this was a gratifying study as it brings to life many of the concepts outlined in the NIPP. She thanked Chairman Nye and the Council for the opportunity.

Chairman Nye thanked the Working Group and added the NIAC looks forward to hearing the final recommendations at the next meeting.

VII. CLOSING REMARKS

*Robert B. Stephan, Assistant
Secretary for Infrastructure
Protection, DHS*

Chairman Nye turned the floor to Assistant Secretary Stephan for closing remarks.

The NIAC is a very vibrant and dynamic group full of leaders and great ideas. Over the course of the last 6 or 7 years, the Council has helped set the conceptual stage, the strategic framework, as well as the vital public-private sector partnership.

The NIAC also tackled many extremely important issues. This group remains exceedingly important.

The Assistant Secretary said he was looking forward to the results of these two ongoing Working Groups because he thinks in many ways they will serve as a report card for the Department on how it implemented previous NIAC recommendations. It will also help DHS shape the road ahead as we look to transition the Department into a new administration.

He wanted to update the Council on the Office of Infrastructure Protection's (IP) efforts over the last six months preceding the administration change.

IP is implementing the NIPP and its sector-specific counterparts across the now 18 CIKR sectors. This is important as these documents reflect what the sectors hold important. This helps the Department begin to crack the interdependencies code and the Council's studies help DHS add some polish to these efforts.

DHS is also implementing the Sector-Specific Plans because again they are what the sectors have come to and agreed to.

DHS is also working closely in a counterpart organization to each of sector coordinating councils. He spoke of the growing importance of the State, Local, Tribal, and Territorial Government Coordinating Councils (SLTTGCC).

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 18

The Assistant Secretary also mentioned IP is working with its Federal Emergency Management Agency (FEMA) colleagues to remove any seams as they relate to infrastructure protection or resiliency. He added he thought they had seen the positives coming out of the California wildfires as well as the flooding along the Mississippi River.

DHS continues working towards implementing chemical security regulations. These regulations encompass many sectors beyond the traditional chemical production sectors. There are elements of the food and agriculture world, academia, oil and natural gas, as well as important parts or aspects of public health. He added DHS has just passed from the first phase of this effort, a top-down consequence analysis phase of 32,000 facilities, identifying chemicals of concern on a list of 322. This consequence analysis narrowed the risk down to 7,000 facilities dealing with certain potentially dangerous chemicals.

He added DHS will move forward through a vulnerability assessment giving credit to those facilities who have really introduced irreversible, long-term security enhancements. All of this has two objectives:

- Secure a CIKR sector within our economy and
- Preserving the economic vitality of the sector.

Some milestones as IP moves forward to the end of the current administration include updating the NIPP using participation from the SCCs and the SLTTGCC. This will really update parts of the NIPP that have changed over the natural course of time.

IP has also integrated its 18th sector, the Critical Manufacturing Sector. Additionally, the coming weeks will allow for the activation of leveraging existing regional coalitions that crosses jurisdictional and sector boundaries.

Assistant Secretary Stephan indicated he was well aware that not only will DHS undergo a massive transition with the new administration, but so will many state and local organizations as well. He stated they were developing a kind of “how to” for critical infrastructure protection so people knew where to get their questions answered. They are in the process of developing a primer for incoming state and local governments.

The Assistant Secretary commented on the continued success of fusion centers - both at the local and state levels.

He also commented that the Homeland Security Advisory Council (HSAC) recently completed a study on private sector information sharing. The NIAC completed a similar study a few years ago and the Assistant Secretary stated it might be a good idea for the NIAC to examine any differences between these two studies.

In summary, the Assistant Secretary asserted the Department was mindful; that there would be a power transfer in January. It truly matters that DHS’ mission continues into the next administration. He said it was up to the NIAC and other organizations like the NIAC to serve as a point of continuity between the two administrations.

NATIONAL INFRASTRUCTURE ADVISORY COUNCIL

Meeting Minutes for the July 8, 2008 Meeting

Page 19

He thanked the Council for their ongoing work and highly valuable recommendations. He closed his remarks by expressing his gratitude for their service.

VIII. ADJOURNMENT

NIAC Chairman *Erle A. Nye*, Chairman
Emeritus, TXU Corp.

Chairman Nye thanked the Assistant Secretary for his comments and asked the Council if there were any further items it wanted to address.

I hereby certify the foregoing minutes accurately represent the discussion and events that transpired at the meeting held on the date first noted above.

By: /s/signed
Erle A. Nye, Chairman, NIAC

Dated: October 14, 2008