



**CITATION FOR VIOLATIONS
OF THE PUBLIC UTILITIES CODE
ISSUED PURSUANT TO
DECISION 14-12-001**

Electrical Corporation To Which Citation Is Issued:

Pacific Gas and Electric Company (U39 E)

RESPONDENT:

Mr. Patrick Hogan
Vice President, Electric Operations Asset Management
Pacific Gas and Electric Company
P. O. Box 770000
Mail Code N10A
San Francisco, CA 94177

CITATION:

Pacific Gas and Electric Company (PG&E or Utility) is cited for one (1) violation resulting in a financial penalty of \$50,000. Safety and Enforcement Division (SED) found this violation in its investigation of Incident Number E20140827-01, which occurred on August 26-27, 2014.



Public Utilities Commission

STATE OF CALIFORNIA

Citation Date: August 31, 2015

Citation #: D.14-12-001 15-08-001

Utility U #: U39 E

VIOLATIONS:

PG&E is cited with having violated the Public Utilities Code, as described below. The violation occurred on August 27, 2014.

1. Public Utilities Code Section 451

Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary (sic) to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

Prior to this incident, PG&E was attacked by gun fire on April 16, 2013. Gaps in security management were identified after the attack and countermeasures should have been properly implemented by PG&E.

On August 26-27, 2014, PG&E security management had multiple opportunities to identify an intrusion, but did not adequately respond to alarm activity that occurred through the night. PG&E was not aware of the break in until the next morning, when PG&E construction workers noticed cuts in the perimeter fence. Therefore, PG&E is in violation of Public Utilities Code Section 451.

ENCLOSURES:

The following enclosures were used to establish the findings of fact:

1. *Enclosure 1 – SED Incident Investigation Report, dated August 26, 2015*
2. *Enclosure 2 – PG&E Data Response 1 (DR1408281), Request date August 28, 2014*
3. *Enclosure 3 – PG&E Root Cause Analysis (RCA)*
4. *Enclosure 4 – PG&E Data Response 2, Request date March 20, 2015*
5. *Enclosure 5 – PG&E Data Response 2, Supplement, Request date March 20, 2015*

STATEMENT OF FACTS:

The above violations are documented in the attached *Enclosure 1 – SED Incident Investigation Report* which is based on the following: SED's evidence collected at the scene of the incident, SED's review of PG&E's Root Cause Analysis, and review of PG&E Data Responses 1 and 2.



SED CITATION ANALYSIS

| Element | Staff Finding |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of violation(s) and duration of violation(s) | <i>One violation of Public Utilities Code Section 451 on 8/27/14 for failing to properly respond to alarm activity.</i> |
| Severity of the offense: overall level of risk of violation(s) | <i>The incident resulted in a loss of equipment and did not result in an outage.</i> |
| The conduct of the utility before, during, and after the offense | <i>PG&E made a commitment to protect the critical substations from these types of intrusions after the attack on Metcalf substation which occurred on 4/16/13.</i> |
| Previous occurrence of similar violations by the utility | <i>None</i> |
| Self-reporting of the violation | <i>No; SED found the violations during investigation of the incident. (Per D.14-12-001, consideration of self-reporting as a mitigating factor is not applicable in incidents involving an injury.)</i> |
| Indication of the violation(s) being willful | <i>No indication of willful violation.</i> |
| Actions taken by the utility to address the violation(s) | <i>After the incident, the utility completed construction of the perimeter wall around Metcalf substation. The Commission ordered PG&E to conduct a Root Cause Analysis. In the RCA, PG&E identified items that would improve the physical security at Metcalf and planned due dates.</i> |
| Associated safety related condition | |
| Financial resources of the utility | <i>5.4 million electric customers; 4.3 million natural gas customers; \$7.094 billion authorized General Rate Case revenues for test year 2014.</i> |



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|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The totality of the circumstances | <i>SED considered mitigating and aggravating factors to determine the fine. Aggravating factors included the potential disruption and lack of countermeasures in place after the attack in 2013. Mitigating factors include the steps already taken by PG&E to improve the security program. Other factors considered include that the violations were not willful, PG&E was generally cooperative during SED's investigation, and PG&E possesses sufficient financial resources to pay the penalties.</i> |
| Other factors deemed relevant by SED | <i>PG&E has been aware of issues with physical security after the 2013 attack on Metcalf substation.</i> |
| Resultant Citation Taking All Of These Factors Into Account | <i>For the violation of Public Utilities Code Section 451, SED sets the penalty at the statutory maximum of \$50,000, assessed only for the day PG&E failed to properly respond to an intrusion. Violation of Section 451 is assessed at \$50,000.</i> The resulting penalty is \$50,000. |

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RESPONSE:

Respondent is called upon to provide a response to this Citation by: **5:00 PM (PDT) on September 30, 2015.**

By way of such response Respondent, **within 30 calendar days**, may either:

- (1) Correct the violations with any immediate safety hazard requiring immediate correction as soon as feasible, and/or submit a Compliance Plan to the Director of SED for correcting those violations requiring more than 30 days to correct, **and** pay a fine pursuant to Pub. Util. Code § 2107. (Submit a check payable to California Public Utilities Commission using the attached *Citation Payment Form*. Upon payment, the fine will be deposited in the State Treasury to the credit of the General Fund and this citation will become final); **or**
- (2) Confirm that the violation(s) noted in this Citation have been corrected and/or otherwise do not present an on-going safety hazard to the Utility's employees and the general public, and /or submit a Compliance Plan to the Director of SED for correcting those violations requiring more than 30 calendar days to correct, **and** contest this citation by completing and submitting a *Notice of Appeal Form*. Please see the attached document, "Directions For Submitting An Appeal To A Citation Issued Pursuant To Decision 14-12-001" for information on the appeals process and the attached "Notice of Appeal Of Citation Form." Also attached is a copy of Resolution ALJ-299, including Appendices A and B.

Respondent's failure to provide a response, as noted above, within 30 calendar days from the date the citation is served, will place Respondent in default of the citation and will result in forfeiture of Respondent's rights to appeal the citation. A late payment will be subject to a penalty of 10% per year, compounded daily and to be assessed beginning the calendar day following the payment-due date. The Commission may take additional action to recover any unpaid fine and ensure compliance with applicable statutes and Commission orders.



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The CPUC expects the Utility to take actions, as soon as feasible, to correct, mitigate, or otherwise make safe all violations noted on the Citation regardless of the Utility's intentions to accept or appeal the violation(s) noted in the Citation.

A handwritten signature in blue ink, appearing to read "Elizaveta Malashenko".

Elizaveta Malashenko

Director

Safety and Enforcement Division

California Public Utilities Commission

505 Van Ness Avenue

San Francisco, CA 94102

elizaveta.malashenko@cpuc.ca.gov



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CITATION PAYMENT FORM

I (we) _____ hereby agree to comply with this citation dated _____, and have corrected/mitigated the violation(s) noted in the citation on _____ and no later than _____, all work to make permanent corrections to any mitigated, or otherwise remaining concerns related to the violation(s) will be completed as noted in the Compliance Plan we have submitted to the Director of SED and, herewith, pay a fine in the amount of \$ _____ as included in the citation.

Signature of Electrical Corporation's Treasurer,
Chief Financial Officer, or President/Chief Executive
Officer, or delegated Officer thereof

(Signature)

(Date)

(Printed Name and Title)

Payment with a check must be made payable to the **California Public Utilities Commission** and sent to the below address. Please include the citation number on the memorandum line of the check to ensure your payment is properly applied.

California Public Utilities Commission
Attn: Fiscal Office
505 Van Ness Avenue
San Francisco, CA 94102-3298

NOTE: A copy of the completed Citation Payment Form must be sent to the Director of the Safety and Enforcement Division, via email or regular mail, to the address provided on the Citation.



**DIRECTIONS FOR SUBMITTING AN APPEAL TO A CITATION
ISSUED PURSUANT TO DECISION 14-12-001**

Within 30 calendar days of the Respondent being served with a **CITATION FOR VIOLATIONS ISSUED PURSUANT TO DECISION 14-12-001**, Respondent may appeal the citation. Beyond 30 calendar days of being served with the citation, Respondent is in default and, as a result, is considered as having forfeited rights to appeal the citation. The Respondent must still correct the violation(s) as feasible unless, within 30 calendar days from the date of service of the citation, the Respondent submits to the Director of SED, a Compliance Plan that provides a detailed description of when the violation(s) will be corrected, the methodology to be utilized, and a statement, supported by an affidavit from the Electrical Corporation's Chief Executive Officer, that in the Respondent's best judgment, the time necessary to correct the violation(s) will not affect the integrity of the operating system or unduly endanger the public.

To appeal the citation, Appellant must file a Notice of Appeal (including a completed title page complying with Rule 1.6 of the Commission's Rules of Practice and Procedure, and attached Notice of Appeal Form) along with copies of any materials the Appellant wants to provide in support of its appeal with the Commission's Docket Office **and** must serve the Notice of Appeal, at a minimum, on

- 1) The Chief Administrative Law Judge (with an electronic copy to: ALJ_Div_Appeals_Coordinator@cpuc.ca.gov),
- 2) The Director of Safety and Enforcement Division
- 3) The Executive Director
- 4) General Counsel
- 5) The Director of the Office of Ratepayer Advocates

at the address listed below within 30 calendar days of the date on which the Appellant is served the Citation. The Appellant must file a proof of service to this effect at the same time the Appellant files the Notice of Appeal. The Notice of Appeal must at a minimum state: (a) the date of the citation that is appealed; and (b) the rationale for the appeal with specificity on all grounds for the appeal of the citation.

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Attn: <Insert Title>

NOTE: Submission of a *Notice of Appeal Form* in no way diminishes Appellant's responsibility for correcting the violation described in the citation, or otherwise ensuring the safety of facilities or conditions that underlie the violations noted in the Citation.



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Ex Parte Communications as defined by Rule 8.1(c) of the Commission's Rules of Practice and Procedure, are prohibited from the date the citation is issued through the date a final order is issued on the citation appeal.

After receipt of the Appellant's *Notice of Appeal Form*, a hearing will be convened before an Administrative Law Judge. At least ten business days before the date of the hearing, the Appellant will be notified and provided with the location, date, and time for the hearing. At the hearing,

- (a) Appellant may be represented by an attorney or other representative, but any such representation shall be at the sole expense of the Respondent;
- (b) Appellant may request a transcript of the hearing, but must pay for the cost of the transcript in accordance with the Commission's usual procedures;
- (c) Appellant is entitled to the services of an interpreter at the Commission's expense upon written request to the Chief Administrative Law Judge not less than five business days prior to the date of the hearing; and
- (d) Appellant may bring documents to offer in evidence (Rule 13.6 (Evidence) of the Commission's Rules of Practice and Procedure applies) and/or call witnesses to testify on Respondent's behalf. At the Commission's discretion, the hearing in regard to the Appellant's appeal can be held in a hearing room at either of the offices of the CPUC at the following locations:

San Francisco:
505 Van Ness Avenue
San Francisco, CA 94102

Los Angeles:
320 West 4th Street, Suite 500
Los Angeles, CA 90013

The hearing(s) held in regard to the Appellant's appeal will be adjudicated in conformance with all applicable Public Utilities Code requirements.



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Enclosures to Accompany Utility Appeal

Utility to add Enclosures as appropriate