

PACIFIC GAS AND ELECTRIC COMPANY
General Rate Case 2011 Phase I
Application 09-12-020
Data Response

PG&E Data Request No.:	DRA_223-09A		
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Date Sent:	April 2, 2010	Requesting Party:	DRA
PG&E Witness:	Hudson Martin	Requester:	Donna Fay Bower

EXHIBIT REFERENCE: PG&E-6, CHAPTER 6

SUBJECT: RISK AND AUDIT DEPARTMENT COSTS – INFORMATION TECHNOLOGY PROJECTS

QUESTION 9

Corporate Security Departments: PG&E states: “The Corporate Security Department forecasts the need for an IT project for the development of a Business Continuity Data Management System. A Business Continuity Data Management System is necessary to strengthen planning, identify program caps, and address resource interdependencies and is forecast to cost \$300,000 in expense and \$150,000 in capital in 2011.” What has PG&E had in place to address resource interdependencies? How were the expense and capital costs determined? Where are these costs reflected in PG&E-7, Chapter? Give specific site, page and line number to where these costs are in PG&E’s testimony and workpapers.

ANSWER 9

Currently PG&E uses a manual process to address interdependencies. Interdependencies are the upstream process inputs, systems, facilities, supplies, people, and downstream process dependencies on which the process relies to perform. An example of an upstream process follows: PG&E’s banking and money management function relies on the bank’s automated fund transfer function to deposit and withdraw funds. If the bank’s fund management system is not working, PG&E cannot perform fund deposits, transfers, and withdrawals without implementing the “workaround” plan.

PG&E’s program is modeled after the British Standard 25999, one of three standards that the US Department of Homeland Security adopted as part of its Private Sector Preparedness initiative as required the United States Congress. The British Standard requires in Section 4.2 that each company establish a strategy to assure business continuity:

4.2 Determining business continuity strategy

The organization shall:

- a) define a fit-for-purpose, predefined and documented incident response structure that will enable an effective response and recovery from disruptions;
- b) determine how it will recover each critical activity within its recovery time objective and the BCM arrangements, including the resources required for resumption and products and services provided by suppliers and outsource partners; and
- c) determine how it will manage relationships with its key

stakeholders and external parties involved in the recovery.

The standard also requires that each entity perform a Business Impact Analysis to determine critical functions and then to create a Business Continuity Plan for each critical function. Each Business Impact Analysis and Business Continuity Plan is reviewed to determine that upstream and downstream interdependencies have been identified in the plan. Then, a company-wide view of interdependencies is manually compiled from the review. This process is time-consuming and current staffing capacity only allows for this review to be performed about once every three years. The standard after which the PG&E program is modeled, British Standard 25999, requires that the following documentation be maintained (*emphasis added*):

5.5 BCM documentation

Individuals tasked with maintaining business continuity should create and maintain the business continuity documentation. This may include the following:

- a) BCM policy:
 - BCM scope statement,
 - BCM terms of reference;
- b) *business impact analysis (BIA)*;
- c) risk and threat assessment;
- d) BCM strategy/strategies;
- e) awareness programme;
- f) training programme;
- g) *incident management plans*;
- h) *business continuity plans*;
- i) *business recovery plans*;
- j) exercise schedule and reports;

- k) *service level agreements and contracts*.

The British Standard 25999 also requires that timelines be established for review and updating of the program arrangements:

4.4.3 Maintaining and reviewing BCM arrangements

4.4.3.1 The organization shall, at defined intervals, review its BCM arrangements to ensure their continuing suitability, adequacy and effectiveness.

4.4.3.2 The organization shall ensure its business continuity capability and appropriateness is reviewed at planned intervals and when significant changes occur to ensure its continuing suitability, adequacy and effectiveness.

Due to the labor intensive nature of the interdependency review, it is performed every three years. Given the size and nature of PG&E's business, this review should be performed annually as part of the planning refresh process. With a business continuity management system, PG&E would be able to perform the review on an annual cycle, with the result being a more effective program. See text from the British Standard, below, describing the outcome of an effective program (*emphasis added*):

00203.6 The outcomes of an effective BCM programme

The outcomes of an effective BCM programme are that:

- key products and services are identified and protected, ensuring their continuity;
- an incident management capability is enabled to provide an effective response;
- *the organization's understanding of itself and its relationships with other organizations, relevant regulators or government departments, local authorities and the emergency services is properly developed, documented and understood;*
- staff are trained to respond effectively to an incident or disruption through appropriate exercising;
- *stakeholder requirements are understood and able to be delivered;*
- staff receive adequate support and communications in the event of a disruption;
- *the organization's supply chain is secured;*
- the organization's reputation is protected; and
- the organization remains compliant with its legal and regulatory obligations

Capital and expense costs for the business continuity program were determined after doing a review in 2008 of typical licensing and implementation costs for systems commercially available such as Sunguard, COOP, and eBRP.