

From: Cherry, Brian K
Sent: 3/3/2014 9:52:46 AM
To: Michael R. Peevey (michael.peevey@cpuc.ca.gov) (michael.peevey@cpuc.ca.gov)
Cc:
Bcc:
Subject: Upcoming Wall Street Journal Article

Mike - Earlier today, PG&E had the opportunity to participate in a call organized by EEI to discuss another anticipated article from *Wall Street Journal* reporter Rebecca Smith. The article may be published in the next 48-hours; EEI is expected to receive a courtesy notification prior to it being released. The anticipated story will focus on the vulnerability of the nation's electric grid and identify, to some degree, the substations most critical to the operation of the bulk power system. In the article, Rebecca Smith may also refer to studies conducted by FERC, previously, that provide a baseline scenario of the reliability implications of taking down as few as nine critical substations across the country; alternatively she may take a regional, as opposed to national, perspective. The article is then expected to focus on the need for additional federal regulations and standards to protect these assets and avoid a "doomsday" scenario.

EEI proactively organized the call with those member companies that own and operate facilities on the FERC 100 list. PG&E has seven facilities on the list. The media and government relations representatives on the call discussed the potential tact the article could take, identified third-parties to respond, shared information regarding outreach and coordination with NERC and various senior officials throughout the federal government, and discussed messaging. Later today, EEI will circulate a common set of talking points for member companies, as well as collateral materials that we can use in our outreach. They also encouraged each company to develop its own messaging and be prepared to field calls from national, regional and local media. EEI also asked that, for those companies with assets on the list, to please assess the security posture of those facilities and expect reporters to eventually show up onsite at some of these assets.

Please note, that we have not been contacted by Rebecca Smith regarding this story. Once it is published, if we are asked to comment by others, we will use the key messages included below.

It is likely that the piece will mention companies, including PG&E, by name. In coordination with the White House national security team, EEI believes they were

successful in preventing the story from listing the names of the actual substations; however, we will not be certain until the article is completed. Once this article is released, EEI expects Rebecca Smith to do a follow up story and focus on security at some of the individual substations.

Separately, but related, we understand that State Senator Jerry Hill will be holding a media event tentatively scheduled March 7th on the topic of physical security.

Please feel free to let us know if you have any questions.

KEY MESSAGES PG&E WILL UTILIZE

- The electric power grid is a complex, interconnected network of generating plants, transmission lines, and distribution facilities, which can be damaged by natural events, such as severe storms, as well as by malicious events designed to harm electric infrastructure. The electric power industry employs threat mitigation known as “defense-in-depth” that focuses on preparation, prevention, response, and recovery.
- The industry continuously strives to improve on its history of protecting its assets from physical security threats, including longstanding programs and protocols designed to protect utility systems.
- Utilities such as PG&E also partner with federal, state/provincial, and local government and law enforcement agencies in both the United States and Canada to ensure that they can respond effectively to any event that may impact their operations.

- Specific actions the industry is taking include:
 - **Preparation Activities:** Electric companies such as PG&E continuously drill and prepare for extraordinary scenarios. For example, in November 2013, PG&E, along with more than 200 industry and government organizations participated in GridEx II—a two-day, grid-wide, international exercise. There was also an executive tabletop exercise that brought together senior Administration officials and utility executives to address the roles and responsibilities of both government and industry in the event of a major power disruption due to a national security threat.
 - **Prevention Strategies:** Electric companies employ a number of physical security measures to prevent malicious attacks. These measures are continuously evaluated and enhanced. For example, electric companies work closely with law enforcement personnel and first responders on site-specific security plans and security drills. In addition, the industry is making significant investments to protect the most critical assets. These investments focus on improving protection, detection, and security perimeters at the most critical locations.
 - **Resiliency Efforts:** The industry also implements resiliency efforts to ensure there is sufficient spare equipment available in the event of an incident. The industry created the Spare Transformer Equipment Program (STEP) in 2006 to strengthen its ability to restore the nation’s transmission system more quickly in the event of an attack on physical assets. STEP facilitates the sharing of hard-to-replace equipment, like transformers, which are located in substations near an electric generating plant and step up the voltage of electricity before it enters the transmission system.
 - For Background Only: Under the STEP program, each participating electric company is required to maintain and, if necessary, acquire a specific number of transformers. Participating companies are required to sell spare transformers to any other participating company that suffers a “triggering event,” defined as an act of terrorism that destroys or disables one or more substations and results in the President declaring a state of emergency.

- **Government Partnerships:** In addition to close collaboration among electric companies, the industry is working directly with government partners to more thoroughly understand potential threats and to better protect its systems. Electric companies work closely with the North American Electric Reliability Corporation (NERC) and federal agencies to enhance the security of the bulk power system. This includes coordination with FERC, the Department of Homeland Security (DHS), and the Department of Energy (DOE), as well as receiving assistance from federal intelligence and law enforcement agencies. PG&E and the industry are working closely with FERC to enhance security measures at critical substations throughout the country.

- **Response and Recovery:** PG&E and the utility industry are particularly proud of their mutual assistance network, which is a voluntary partnership of electric companies from across the country that work together to help speed restoration following significant damage to the electric grid. Whether a severe weather event, or national security incident, the industry comes together to protect and restore its shared infrastructure.