

AMENDED IN ASSEMBLY MARCH 25, 2014  
AMENDED IN ASSEMBLY MARCH 12, 2014  
AMENDED IN ASSEMBLY AUGUST 7, 2013  
AMENDED IN ASSEMBLY JUNE 19, 2013  
AMENDED IN SENATE MAY 8, 2013  
AMENDED IN SENATE APRIL 4, 2013

**SENATE BILL**

**No. 699**

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**Introduced by Senator Hill**

February 22, 2013

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An act to ~~add Sections 761.4 and 761.6 to~~ amend Section 364 of the Public Utilities Code, relating to public utilities.

legislative counsel's digest

SB 699, as amended, Hill. Public utilities: electrical and gas corporations.

*Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law requires the commission to adopt inspection, maintenance, repair, and replacement standards for the distribution systems of electrical corporations in order to provide high-quality, safe, and reliable service. Existing law requires the commission to conduct a review to determine whether the standards have been met and to perform the review after every major outage.*

*This bill would require the commission to adopt rules to address security threats to the distribution systems of electrical corporations,*

*to be adopted by the commission with inspection, maintenance, repair, and replacement standards no later than July 1, 2015.*

~~The Public Utilities Act requires the Public Utilities Commission to implement and enforce standards for the maintenance and operation of facilities for the generation of electricity owned by an electrical corporation or located in the state to ensure their reliable operation.~~

~~This bill would require an electrical corporation, by July 1, 2015, to submit to the commission a security plan to enhance the robustness and resilience of its electrical distribution facilities. The bill would require the commission, in consultation with the electrical corporation and applicable local, state, and federal agencies to determine the appropriate level of public access to the security plan. The bill would require the commission to consider the cost of constructing distribution infrastructure necessary to implement the security plan as a part of the next general rate case for the electrical corporation.~~

~~This bill would require an electrical or gas corporation to develop an official memorandum of understanding with state and local law enforcement officials describing each party's responsibilities before, during, and immediately following the deliberate destruction of that corporation's equipment that leads to a disruption of electric or gas service. The bill would require an electrical or gas corporation, after consultation with, and approval from, the Department of the California Highway Patrol, to train and designate relevant employees as first responders to manage infrastructure hazards and restore essential electric or gas service in the event of an accident, natural disaster, or security breach.~~

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill are within the act *and require action by the commission to implement its requirements*, a violation of these provisions would impose a state-mandated local program by ~~creating a new~~ *expanding the definition of a crime.*

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     *SECTION 1. The Legislature finds and declares all of the*  
2     *following:*

3     *(a) Physical or electronic threats to the electrical distribution*  
4     *system could threaten public health and safety and disrupt*  
5     *economic activity in California.*

6     *(b) Ensuring appropriate actions are taken to protect and secure*  
7     *vulnerable electrical distribution system assets from physical or*  
8     *electronic threats that could disrupt safe and reliable electric*  
9     *service, or disrupt essential public services, including safe drinking*  
10    *water supplies, are in the public interest.*

11    *(c) Proper planning, in coordination with the appropriate*  
12    *federal and state regulatory and law enforcement authorities, will*  
13    *help prepare for attacks on the electrical distribution system and*  
14    *thereby help reduce the potential consequences of such attacks.*

15    *SEC. 2. Section 364 of the Public Utilities Code is amended*  
16    *to read:*

17    364. (a) The commission shall adopt inspection, maintenance,  
18    repair, and replacement standards, *and adopt rules to address*  
19    *security threats*, for the distribution systems of ~~investor-owned~~  
20    ~~electric utilities no later than March 31, 1997~~ *electrical*  
21    *corporations by no later than July 1, 2015.* The standards, which  
22    shall be performance or prescriptive standards, or both, *and may*  
23    *be based on risk management*, as appropriate, for each substantial  
24    type of distribution equipment or facility, shall provide for ~~high~~  
25    ~~quality, safe~~ *high-quality, safe*, and reliable service.

26    (b) In setting its standards, the commission shall consider: cost,  
27    local geography and weather, applicable codes, *potential security*  
28    *threats*, national electric industry practices, sound engineering  
29    judgment, and experience. The commission shall also adopt  
30    standards for operation, reliability, and safety during periods of  
31    emergency and disaster. The commission shall require each ~~utility~~  
32    *electrical corporation* to report annually on its compliance with  
33    the standards. That report shall be made available to the public.

34    (c) The commission shall conduct a review to determine whether  
35    the standards prescribed in this section have been met. If the  
36    commission finds that the standards have not been met, the  
37    commission may order appropriate sanctions, including penalties  
38    in the form of rate reductions or monetary fines. The review shall

1 be performed after every major outage. Any money collected  
2 pursuant to this subdivision shall be used to offset funding for the  
3 California Alternative Rates for Energy Program.

4 ~~SECTION 1. Section 761.4 is added to the Public Utilities~~  
5 ~~Code, to read:~~

6 ~~761.4. (a) On or before July 1, 2015, an electrical corporation~~  
7 ~~shall submit to the commission a security plan to enhance the~~  
8 ~~robustness and resilience of its electrical distribution facilities that~~  
9 ~~identifies improvements to achieve all of the following:~~

10 ~~(1) Make the electric power delivery system less vulnerable to~~  
11 ~~security threats, whether physical, cyber, or personnel-related,~~  
12 ~~which may include the hardening of key substations and control~~  
13 ~~centers, increased physical surveillance, and increased air gapping~~  
14 ~~of electronic communication and control systems.~~

15 ~~(2) Reduce the consequence of successful security breaches,~~  
16 ~~which may include more robust substation and grid design,~~  
17 ~~infrastructure modernization, and selective demandside~~  
18 ~~management.~~

19 ~~(3) Improve the speed of electric power restoration in the event~~  
20 ~~of a successful security breach, which may include enhanced~~  
21 ~~training of relevant personnel, improved blackstart capability, and~~  
22 ~~acquisition of convenient locations for critical spare parts.~~

23 ~~(4) Make critical services less vulnerable while the delivery of~~  
24 ~~conventional electric power has been disrupted, which may include~~  
25 ~~the avoidance of cross dependencies and the collocation of~~  
26 ~~generation or storage with critical loads such as pumps for water~~  
27 ~~supply.~~

28 ~~(b) In developing the security plan, an electrical corporation~~  
29 ~~shall consider improvements that can be incorporated~~  
30 ~~cost-effectively and consistently with reductions or increases in~~  
31 ~~local generation capacity needs, safety and reliability needs,~~  
32 ~~planned efforts to promote distributed resources, demandside~~  
33 ~~management, smart grid, and other security efforts undertaken at~~  
34 ~~the regional and national level.~~

35 ~~(c) The commission, in consultation with the electrical~~  
36 ~~corporation and applicable local, state, and federal agencies, shall~~  
37 ~~determine an appropriate level of public access to the security plan~~  
38 ~~submitted by the electrical corporation that is consistent with~~  
39 ~~Section 583 and existing commission policies. A determination~~  
40 ~~that the commission makes regarding public access to security~~

1 ~~plans shall not create barriers to essential information sharing~~  
2 ~~among local, state, and federal law enforcement and emergency~~  
3 ~~response agencies. The commission shall make this determination~~  
4 ~~before accepting the security plan from an electrical corporation.~~

5 ~~(d) The commission shall review each security plan and approve,~~  
6 ~~or modify and approve, the plan for that electrical corporation.~~

7 ~~(e) The commission shall consider the costs of constructing~~  
8 ~~distribution infrastructure necessary to implement the security plan~~  
9 ~~as a part of the next general rate case for the electrical corporation~~  
10 ~~unless the commission determines otherwise. The commission~~  
11 ~~may adopt criteria, benchmarks, and accountability mechanisms~~  
12 ~~to evaluate the success of any investment authorized pursuant to~~  
13 ~~the security plan.~~

14 ~~SEC. 2. Section 761.6 is added to the Public Utilities Code, to~~  
15 ~~read:~~

16 ~~761.6. (a) An electrical or gas corporation shall develop an~~  
17 ~~official memorandum of understanding with state and local law~~  
18 ~~enforcement officials that describes each party's responsibilities~~  
19 ~~before, during, and immediately following the deliberate~~  
20 ~~destruction of the electrical or gas corporation's equipment that~~  
21 ~~leads to a disruption of electric or gas service. The memorandum~~  
22 ~~of understanding shall provide a clear understanding of who is in~~  
23 ~~charge and explain how decisions will be reached in dealing with~~  
24 ~~potential tensions between crime scene investigation and timely~~  
25 ~~restoration of service, as well as with unanticipated contingencies.~~

26 ~~(b) An electrical or gas corporation, after consultation with, and~~  
27 ~~approval from, the Department of the California Highway Patrol,~~  
28 ~~shall train and designate relevant employees as first responders to~~  
29 ~~manage infrastructure hazards and restore essential electric and~~  
30 ~~gas service in the event of an accident, natural disaster, or security~~  
31 ~~breach. The Department of the California Highway Patrol may~~  
32 ~~impose any requirements necessary to ensure that the designation~~  
33 ~~of relevant electrical or gas corporation employees promotes public~~  
34 ~~health, safety, and security.~~

35 ~~SEC. 3. No reimbursement is required by this act pursuant to~~  
36 ~~Section 6 of Article XIII B of the California Constitution because~~  
37 ~~the only costs that may be incurred by a local agency or school~~  
38 ~~district will be incurred because this act creates a new crime or~~  
39 ~~infraction, eliminates a crime or infraction, or changes the penalty~~  
40 ~~for a crime or infraction, within the meaning of Section 17556 of~~

- 1 the Government Code, or changes the definition of a crime within
- 2 the meaning of Section 6 of Article XIII B of the California
- 3 Constitution.

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