

SENATE BILL No. 699

Introduced by Senator Hill

February 22, 2013

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

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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.*

(d) In order to ensure the electrical corporation's investment of ratepayer funds in security measures is appropriate and that the right risks are identified and protected against, security risks and associated mitigation actions should be analyzed and prioritized using a risk management methodology.

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

17 364.

(a) For purposes of this section the following terms have the following meanings:

(i) Critical Distribution Asset means a portion of the electric distribution system that serves a critical facility.

(ii) Critical Facility means a facility that provides an essential public health and safety service, including, but not limited to, hospitals, fire department, police department, and water facilities.

(iii) Critical Security Vulnerability means a vulnerability to a physical or cyber attack on a Critical Distribution Asset that an electrical corporation has identified and ranked as a high priority vulnerability according to the electrical corporation's risk management methodology.

~~(a)~~ (b) The commission shall adopt inspection, maintenance, repair, and replacement standards, and ~~adopt rules to address~~ shall review and approve Critical Security Vulnerabilities mitigation actions as identified by electrical corporations threats, for the distribution systems of investor-owned electric utilities no later than March 31, 1997 electrical corporations by no later than July 1, 2015.

March 31, 2016 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.

(c) In reviewing and approving Critical Security Vulnerabilities mitigation actions pursuant to section 364(a), the commission shall ensure that:

(i) Electrical corporations identify critical facilities and associated critical distribution assets in their territory.

(ii) Electrical corporations utilize a risk management approach to identify and prioritize critical security vulnerabilities and associated mitigation actions.

(iii) Before ordering any public disclosure, under Section 583 of the Public Utilities Code, of information relating to security or critical infrastructure information deemed sensitive by a utility, the Commission shall determine that such release will not risk public safety. If the Commission makes such a determination to disclose such information, the Commission shall provide notice thereof to the party requesting confidential determination and said electrical corporation shall be afforded no less than ten days to contest the release of said information before it is disclosed

(iv) Except where infeasible, any security guidance developed by the Commission shall not conflict with state or federal law or regulation relating to physical security or cybersecurity of utilities and the electric grid.

26 ~~(b)~~ *(d)* 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.~~

The Commission shall consider this report to be confidential. Before ordering any public disclosure, under Section 583 of the Public Utilities Code, of information relating to security or critical infrastructure information deemed sensitive by a utility, the Commission shall determine in writing that such release will not risk public safety. If the Commission makes such a determination to disclose such information, the Commission shall provide notice thereof to the party requesting confidential determination and said electrical corporation shall be afforded no less than ten days to contest the release of said information before it is disclosed.

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

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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. *Any sanctions the Commission develops for security compliance shall be aligned with and shall assess electrical corporations based on the resulting risk after a risk treatment decision. Prior to the issuance of any sanctions as described in this section, California's electric corporations shall have adequate time in which to meet the new requirements.*