

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation Into the Power Outage Which Occurred on December 8, 1998 on Pacific Gas & Electric Company's Electric System.

F I L E D
Public Utilities Commission
December 17, 1998
San Francisco Office
I.98-12-013

ORDER INSTITUTING INVESTIGATION

On December 8, 1998, the electrical system of Pacific Gas and Electric Company (PG&E) failed in the San Francisco Bay Area, leaving more than a million people without power in San Francisco and San Mateo Counties. Many were without power for most of the day. The power outage affected businesses, government agencies, transportation, hospitals and individuals, compromising the economy and the welfare of the community for many hours. PG&E has stated publicly that the outage occurred as a result of an incident in a substation which affected local generation, transmission and distribution. PG&E attributes the outage to "simple human error."

The Commission is charged with assuring the reliability and safety of PG&E's electric distributor system along with the Independent System Operator (ISO) which oversees the integrity of PG&E's transmission system. Public Utilities (PU) Code § 451 requires every public utility to operate so as to promote the health, safety, and convenience of customers, employees, and the public. PU Code § 364(c) requires the Commission to review an electric utility's compliance with reliability and safety standards after every major outage. Section 349 also directs the ISO to investigate major outages on the transmission system, defined as at least 10 % of the utility's customers.

We consider the December 8, 1998 event to be a major outage for purposes of our review. Its occurrence raises numerous questions with regard to the adequacy of PG&E's system to promote the health, safety and convenience of PG&E customers, employees, and the public. The Commission is concerned with the implication that a major metropolitan area can remain vulnerable to a major outage of extended duration as a result of "simple human error." For these reasons, the Commission institutes this investigation.

Scope of Inquiry

PG&E shall, no later than January 6, 1999, submit a report, which may ultimately be advanced in evidentiary hearings, addressing the following topics:

1. The precipitating event or events that caused the outage, including, but not limited to, descriptions of facilities, procedures, or subsystems that may have contributed to the outage and its extent and duration;
2. The system characteristics which may have contributed to the outage, its extent and duration;
3. A breakdown of the number of customers affected and the periods over which they were without power;
4. The process PG&E used to reinstate power to affected customers, including explanations of the steps PG&E took to minimize the extent and duration of the outage;
5. A description of any city, county, state, federal and internal rules, regulations and protocols which govern the management of such system outages and a description of how and the extent to which PG&E conformed to those rules, regulations and protocol. This description shall include reference to how PG&E established priorities among customers for power restoration and how those priorities compared to the requirements of PG&E's tariffs;
6. The responsiveness of PG&E's call center to customer inquiries during the outage, including statistics comparing the call center's performance to Commission rules governing PG&E's call center performance;

7. The process PG&E used to inform and update the media, the ISO, emergency response agencies, regulatory agencies and other interested organizations of the likely extent and duration of the power outage;
8. The extent to which PG&E has complied with maintenance, inspection and replacement standards adopted in Decision (D.) 97-03-070 and emergency response requirements adopted in D. 98-07-097, a description of PG&E's emergency response contingency plans, the extent to which PG&E followed those plans and an assessment of their efficacy during the outage ;
9. On the basis of its experience with the December 8 outage, the steps, if any, PG&E intends to take to mitigate against future system outages in the San Francisco Bay Area and the rest of its service territory, including changes to its engineered system pursuant to PU Code § 768, and PG&E's management of the system and major outages;
10. The process PG&E intends to use to process submitted damage claims including the specific criteria PG&E will use to determine whether it will assume liability under each claim, the method it will use to estimate reasonable damages which would qualify for payments, the steps PG&E customers must take to present and resolve claims, and the role the Commission should assume in administering the claims, especially where disputes arise and whether PG&E intends to invoke Rule 14 in denying claims;
11. The method PG&E will use to notify customers of their opportunities to seek remuneration for damages; and
12. The accounting PG&E intends to use for costs related to the outage, including the costs of reinstating power and those incurred as a result of its assumption of liability, whether voluntary or imposed by a court or regulatory agency.
13. The implications that this incident may have for our statewide policy regarding back up systems and areas with distribution/transmission bottlenecks and constraints.

The Commission is not interested in relegating blame to individuals; no single human act or omission should result in a power outage of the magnitude such as the one which occurred on December 8. The events on that date suggest

more profound problems with PG&E's system planning or emergency response, responsibility for which lies not with line employees but with the decisions and actions of management and officers. For that reason, PG&E managers and officers should present the report and any testimony subsequently adduced by PG&E.

This proceeding is for fact-finding and policy making. The Commission must have answers on why the outage episode spread from the source to affect ultimately about one million retail customers, and what measures could be put in place to prevent a similar occurrence. If from the information gathered and the analysis completed by staff or others during the course of the fact-finding it appears that PG&E may have violated applicable Commission orders, rules or regulations, or provisions of the Public Utilities Code, staff shall separately recommend institution of an adjudicatory enforcement docket to provide the appropriate forum for airing those issues and considering the level of any fines or other sanctions which could be indicated from the evidence in such a docket. Ultimately, once the Commission has evidence on what measures or facilities needed to be in place or operative to have prevented the breadth of the PG&E outage, a review of other utilities' systems would be in order, which may be undertaken in this or another proceeding. The investigation instituted today is, until further order, confined to PG&E. However, we serve today's order on all parties in R.96-11-004 and R.94-04-031/I.94-04-032 to place them on notice of possible future industry-wide impacts.

Coordination With ISO and Oversight Board

To the extent the December 8 power outage affected or was caused by facilities or organizations under the jurisdiction of the ISO, the Commission will seek to coordinate its fact-finding with the ISO and Electric Oversight Board. In

the interim, PG&E shall serve all documents filed or served in this proceeding on the ISO and shall provide to this Commission all documents PG&E presents to the ISO in its investigation of the December 8 power outage and the related follow-up issues about system reliability.

Proceeding Status and Schedule

Pursuant to Rule 5(b) and Rule 6(c) of the Commission’s Rules of Practice and Procedure, and due to the important statewide policy issues presented, this proceeding is hereby designated quasi-legislative in nature. The Commission intends to hold hearings in this proceeding. Commissioner Richard Bilas is the assigned Commissioner in this investigation. The assigned Administrative Law Judge (ALJ) is Jeffrey O’Donnell. The assigned Commissioner will be the presiding officer.

The preliminary schedule in this proceeding is as follows:

PG&E submits report	January 6
Prehearing conference	January 13
PUC staff preliminary report	February 15
Parties' responsive reports	February 22
Hearings on preliminary reports (if needed)	February 26

The prehearing conference will proceed as scheduled today, however other dates in the schedule listed above are tentative and are subject to change by the assigned Commissioner or the assigned ALJ. It will be decided at the prehearing conference or subsequently the extent to which hearings are needed and at what stage they should be held, whether after final analyses are submitted by PG&E, staff and other parties, or whether some are necessary in connection with the preliminary reports. Nevertheless, we state here our intent to move expeditiously to receive the information we require, and to resolve the issues

raised in this investigation in order to insure against future outages and thereby promote public welfare.

Emergency Nature of Commission Action

Under Government Code § 11125.3(a)(1), a state body may take action on items of business not appearing on the posted agenda upon a determination by a majority vote that an emergency situation exists, as defined in Government Code § 11125.5. The Commission hereby finds that an emergency exists to the extent that the Commission and public should be assured as soon as possible that the public safety and welfare are not compromised in the future by power outages such as the one which occurred on December 8 in PG&E's territory.

IT IS ORDERED that:

1. The Commission hereby institutes an investigation to consider the causes of the Pacific Gas and Electric Company (PG&E) power outage on December 8, 1998, and why it spread to impact so many customers whether PG&E's operating standards meet the requirements of Public Utilities Code § 364 and General Order 166, and whether the Commission should enter any orders to assure that such a widespread outage stemming from a single substation incident does not occur again.
2. PG&E shall serve on the Independent System Operator and all parties to the attached list, (Rulemaking (R.) 96-11-004 and R.94-04-031/I.94-04-032), by January 6, 1999, its report addressing the questions set forth herein. It shall make the report available to members of the public who request copies.
3. PG&E shall retain and make available for Commission review all documentation and electronic communications related to the incident and the aftermath, whether generated and distributed internally or between PG&E and others.

4. The Commission will hold a prehearing conference at 1:30 p.m. on January 13, 1999, in San Francisco, California.

5. The Commission issues this order pursuant to the emergency provisions of Government Code § 11125.3(a)(1).

6. The Executive Director shall serve this order on PG&E, the California Independent System Operator, the mayors of the City of San Francisco and all affected cities, and all parties to R.96-11-004 and R.94-04-031/I.94-04-032.

This order is effective today.

Dated December 17, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners