



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for Regulation of Physical
Security for the Electric Supply Facilities of Electrical
Corporations Consistent with Public Utilities Code
Section 364 and to Establish Standards for Disaster
and Emergency Preparedness Plans for Electrical
Corporations and Regulated Water Companies
Pursuant to Public Utilities Code Section 768.6.

Rulemaking 15-06-009
(Filed June 11, 2015)

**JOINT RESPONSE OF BEAR VALLEY ELECTRIC SERVICE (U 913 E), A DIVISION
OF GOLDEN STATE WATER COMPANY, LIBERTY UTILITIES (CALPECO
ELECTRIC) LLC (U 933 E), AND PACIFICORP (U 901 E) TO THE ADMINISTRATIVE
LAW JUDGE'S RULING REGARDING THE QUESTIONS PRESENTED BY
PRESIDENT PICKER AT THE PREHEARING CONFERENCE**

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October 26, 2016

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Regulation of Physical Security for the Electric Supply Facilities of Electrical Corporations Consistent with Public Utilities Code Section 364 and to Establish Standards for Disaster and Emergency Preparedness Plans for Electrical Corporations and Regulated Water Companies Pursuant to Public Utilities Code Section 768.6.

Rulemaking 15-06-009
(Filed June 11, 2015)

JOINT RESPONSE OF BEAR VALLEY ELECTRIC SERVICE (U 913 E), A DIVISION OF GOLDEN STATE WATER COMPANY, LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E), AND PACIFICORP (U 901 E) TO THE ADMINISTRATIVE LAW JUDGE’S RULING REGARDING THE QUESTIONS PRESENTED BY PRESIDENT PICKER AT THE PREHEARING CONFERENCE

In accordance with the October 11, 2016 Administrative Law Judge’s Ruling Regarding the Questions Presented by President Picker at the Prehearing Conference (“ALJ Ruling”), Bear Valley Electric Service (“BVES”), a division of Golden State Water Company, Liberty Utilities (CalPeco Electric) LLC (“Liberty CalPeco”), and PacifiCorp, d.b.a. Pacific Power (“PacifiCorp”) (collectively, the California Association of Small and Multi-Jurisdictional Utilities (“CASMU”)) submit this joint response addressing the questions raised in the ALJ Ruling.¹

¹ Pursuant to Rule 1.8(d), BVES has been authorized to tender this joint prehearing conference statement on behalf of Liberty CalPeco and PacifiCorp.

I. Responses to Questions

1. How can the CPUC overcome the challenges of building a public record without compromising national security?

In developing the public record, and ultimately any new rules or requirements designed to mitigate physical security risks to electrical supply facilities or to ensure that electrical corporations are in compliance with such rules and/or requirements, it is important that the Commission coordinate with other agencies. Coordination with other agencies, such as the Federal Energy Regulatory Commission, the North American Electric Reliability Corporation, the California Independent System Operator, the Department of Homeland Security, and the Federal Bureau of Investigation, as well as other governmental security agencies, will help the Commission in determining what information is already collected and available, what steps are already being taken to mitigate physical security risks, and what additional information may be needed in this proceeding. By determining what is already publicly available, the Commission can utilize such existing information to develop the record in this proceeding. Furthermore, the Commission can leverage existing practices and confidentiality protections utilized by other agencies to develop the record in this proceeding, thereby avoiding additional efforts to re-invent new processes that may be covered by existing practices that already adequately protect national security.

Although CASMU does not propose any additional recommendations to develop the public record at this time, it believes that an appropriate process can be developed by following and borrowing from existing processes utilized by other agencies. Not only will this help ensure that national security is not compromised, but as noted in CASMU's July 22, 2015 comments, coordination with other agencies will have the added benefit of ensuring that duplicative requirements are not adopted, thereby streamlining the proceeding. CASMU looks forward to

reviewing other proposals to develop the public record while safeguarding national security and to work with the Commission and parties to most effectively manage physical security risks.

2. What is the CPUC's proper role in this proceeding?

As noted in CASMU's July 22, 2015 and October 22, 2015 comments filed in this proceeding, the CASMU members' small service territories and distinctive geography and terrain create unique issues that should be (and have been historically) recognized by the Commission. The Commission has routinely found that "the small size of [CASMU members] and the nature of their operations" make it inappropriate and burdensome for the Commission to impose certain requirements on CASMU members.² Accordingly, the Commission has consistently allowed CASMU members to take a more limited approach than that required for the large investor-owned utilities ("Large IOUs").³ Similarly, the Commission has recognized that CASMU members may be at different stages than the Large IOUs with regard to infrastructure deployment or other initiatives and so requiring certain mitigation measures "could be overly burdensome on [a CASMU member's] small ratepayer base."⁴ Further, the footprint of CASMU members, and the environments in which they serve, may also result in different risks, which create different needs for requirements than those appropriate to the Large IOUs.

When implementing any new security requirements in this proceeding, it is vital that the Commission continue to incorporate these core principles for the CASMU members and their customers. In contrast to the Large IOUs, the CASMU utilities are significantly smaller and not

² See, e.g., Decision 09-12-046, at 2 (exempting CASMU members from certain smart grid-related requirements).

³ *Id.*

⁴ Decision 09-12-046, at 50; see also Decision 04-02-044 and Decision 03-07-011 (decisions granting Sierra Pacific Power Company, now Liberty Utilities, and PacifiCorp, an exemption from filing long-term procurement plans).

as well-resourced. Each CASMU member has less than 50,000 customers that are geographically-dispersed. PacifiCorp only has approximately 4 customers per square mile, Liberty CalPeco has approximately 33 customers per square mile, and while BVES has approximately 299 customers per square mile, about 60% of these customers are on rates indicating they are part time residents, which reduces the effective density to 120 customers per square mile. From a cost-benefit standpoint, potential security risks to these distribution systems are therefore likely to have less of an impact to the CASMU utilities, their customers, or the overall electrical grid when compared to a more densely populated, more urban service territory. Accordingly, in developing any mitigation measures or new requirements to address physical security risks, the Commission must weigh these factors and consider unique characteristics and overall goals for security.

3. What limits are placed upon the CPUC in this proceeding?

As described in response to question 1, it is crucial that in mitigating physical security risks, the Commission does not compromise national security. Confidential and critical infrastructure information must not be disclosed. It is also essential that existing electrical supply facilities and grid reliability are not compromised as a result of this proceeding, nor that any critical infrastructure protection information is divulged. Similarly, the public at large must not be placed at higher risk due to the publication of information in this proceeding that could be exploited to the detriment of safety and security.

4. How can the CPUC ensure that the utilities are properly financing security improvements without compromising security?

One option to ensure that utilities are properly financing security improvements without compromising national security would be for utility officers to meet privately to share information regarding security costs. This information could then be provided confidentially to

the Commission's Executive Director, thereby informing the Commission via the Executive Director about utility plans to finance security improvements while ensuring that security is not compromised.

CASMU looks forward to reviewing other proposals and working with parties to develop a process that will avoid compromising national security. Whatever method is ultimately adopted, it is again important that confidential and critical infrastructure information is not disclosed. It may be most effective to conduct workshops to discuss proposals and how to handle the confidential nature of critical infrastructure and other sensitive information that will be pertinent to physical security issues and how best to maximize protections to address these concerns. Workshops could also address relevant topics on how best to achieve the goal of mitigating physical security risks to electrical supply facilities, allowing parties to vet ideas and work collaboratively on physical security issues, paths to achieve security improvements, and steps to avoid compromising national security.

5. How does the CPUC perform the central function of ratemaking and revenue oversight while maintaining security sensitive information?

As described above, it is essential that sensitive information is not disclosed. CASMU does not have any specific recommendations at this time, but looks forward to reviewing other proposals and working with parties to develop a process that will avoid compromising national security. Again, it may be most effective to hold workshops to discuss proposals and how to handle the confidential nature of physical security and maximize protections to address confidentiality concerns.

6. How can the CPUC provide intervenor compensation to intervenors that help the CPUC establish a record that is confidential?

CASMU does not have any specific recommendations regarding intervenor compensation at this time. As with the other issues described above, workshops could be an effective method to help determine the best process to provide intervenor compensation.

II. CONCLUSION

CASMU appreciates this opportunity to provide responses to the questions posed in the ALJ Ruling and looks forward to working with the Commission and other parties to further refine and develop appropriate processes to ensure that confidential and critical infrastructure information is not disclosed. In addition to coordinating with other agencies, workshops may be beneficial to most effectively develop appropriate processes to safeguard national security.

Respectfully submitted,

/s/

October 26, 2016

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