

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39 E) for a certificate of public convenience and necessity to provide: (i) full facilities-based and resold competitive local exchange service throughout the service territories of AT&T California, Frontier California Inc., Consolidated Communications of California Company, and Citizens Telecommunications Company of California; and (ii) full facilities-based and resold non-dominant interexchange services on a statewide basis.

Application 17-04-010
(Filed April 6, 2017)

**PROTEST OF THE OFFICE OF RATEPAYER ADVOCATES TO THE
APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

NIKI BAWA

Attorney for

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-2049
E-mail: Niki.Bawa@cpuc.ca.gov

STACEY HUNTER

Analyst for

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-1842
E-mail: Stacey.Hunter@cpuc.ca.gov

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I. INTRODUCTION AND SUMMARY

Pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedure, the Office of Ratepayer Advocates (“ORA”) hereby protests the Application (“A.”)17-04-010 filed by Pacific Gas and Electric Company (“PG&E”) for a Certificate of Public Convenience and Necessity (“CPCN”). In its Application, PG&E requests a CPCN to provide full facilities-based and resold competitive local exchange access and non-dominant interexchange services. PG&E’s application was filed on April 6, 2017, and notice appeared in the Commission’s Daily Calendar on April 13, 2017. ORA’s protest is timely filed.

In this Application, PG&E requests authority to operate as a competitive local exchange carrier (“CLEC”) in the territories served by incumbent local exchange carriers (“LECs”) AT&T California (“AT&T”), Frontier California, Inc. (“Frontier”), Consolidated Communications of California Company (“Consolidated”), and Citizens Telecommunications Company of California (“Citizens”). PG&E also requests authority as a non-dominant interexchange carrier in the entire State of California.

ORA protests the Application on issues related to, but not limited to, network resiliency and security and cost and revenue allocation that are described in more detail below.

II. DISCUSSION

A. Network Resiliency and Security

In PG&E’s 2015-2017 General Rate Case (“GRC”), cyber-attacks were cited by PG&E as the highest priority enterprise risk, while energy utilities were ranked as the highest at risk entities in the United States for cyber-crime.¹ According to the GRC settlement motion that was filed on August 3, 2016 by ORA, PG&E, and other settling parties, PG&E should receive \$429.5 million in Information Technology (“IT”) forecast

¹ Pacific Gas and Electric Company 2017 General Rate Case Prepared Testimony, Exhibit (PG&E-7), Shared Services and Information Technology, served on September 1, 2015, p. 10-1:17-18; p. 10-2:8. Available at: <http://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=346365> (viewed May 11, 2017).

expenses to increase its network's resilience to risks of attack from hackers and other criminal or nefarious elements.² ORA is concerned that if PG&E is permitted to open its network to other entities, PG&E will increase its attack surface and expose itself to more cyber-security threats.³ Such an increase in PG&E's attack surface would likely represent a very real threat of compromising PG&E's energy operations, including critical infrastructure that would severely impact the safety of California ratepayers. At the least, granting PG&E's application would increase the attack surface that potential cyber criminals could use to harm PG&E and PG&E's ratepayers.

Therefore, concerning network resiliency and security, ORA's protest is focused on, but not limited to, the need to review the following issues:

- What infrastructure and equipment will serve a dual purpose as both telecommunications infrastructure and gas and electric infrastructure?
- Whether there is a clear demarcation between energy operations and telecommunications customers in terms of fiber infrastructure.
- What policies, practices and procedures does PG&E have in place to minimize the risks of opening their network to outside parties? What else could PG&E do to further minimize these risks?
- Whether networking equipment such as routers, switches, multiplexer equipment, etc., will be used for both Energy and Telecommunications operations.
- What are the network managing steps such as Software Defined Networks ("SDNs") and Virtual Local Area Networks

² Joint Motion of Office of Ratepayer Advocates, The Utility Reform Network, Alliance for Nuclear Responsibility, Center for Accessible Technology, Coalition of California Utility Employees, Collaborative Approaches to Utility Safety Enforcement, Consumer Federation of California, Environmental Defense Fund, Marin Clean Energy, Merced Irrigation District, Modesto Irrigation District, National Diversity Coalition, Small Business Utility Advocates, South San Joaquin Irrigation District, and Pacific Gas and Electric Company for Adoption of Settlement Agreement, filed on August 3, 2016.

³ The attack surface of a software environment is the sum of the different points (the "attack vectors") where an unauthorized user (the "attacker") can try to enter data to or extract data from an environment.

(“VLANs”) that will be used to segregate operations and confidential PG&E energy data from telecommunications traffic over PG&E’s telecommunications network.

- Whether PG&E’s corporate network will now be connected to public internet points-of-presence to carry customer data, further increasing access points (i.e. the attack surface) to PG&E’s network.
- Who is going to pay for the cost recovery of any increased cyber security burden for the expanded and more open fiber network?
- What are the possible increases in expenses that managing a more active telecommunications network would incur?

B. Cost and Revenue Allocation

PG&E proposes a mechanism for sharing the revenues and allocating the costs of the CLEC services to be provided under the requested CPCN. PG&E claims that it will use excess capacity on its existing telecommunications network that it utilizes to support its core gas and electric services in California, with shareholders funding any incremental costs associated with deploying, providing and maintaining telecommunications service. PG&E proposes that after-tax net revenues be split equally between shareholders and ratepayers.⁴ Concerning cost revenue and allocation, ORA’s protest is focused on, but not limited to, the need to review the following issue:

- Whether PG&E ratepayers paid for the aforementioned infrastructure and, if so, why PG&E ratepayers should not receive more than 50% of after-tax net revenues from services that will be provided under the requested CPCN.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Categorization and Hearings

ORA concurs with PG&E’s proposal that its application be categorized as a “ratesetting” proceeding and that hearings should not be necessary.

⁴ Application of Pacific Gas and Electric Company (U39E) for a Certificate of Public Convenience and Necessity, filed on April 6, 2017 (“PG&E Application”) pp. 12-13, 16.

B. Proposed Schedule

EVENT	DATE
Application filed:	April 6, 2017
Protests and responses (if any) due:	May 15, 2017
Replies (if any) due:	May 25, 2017
Pre-hearing Conference:	TBD
Proposed Decision:	TBD
Comments on the Proposed Decision:	TBD
Reply Comments on the Proposed Decision:	TBD
Commission Decision Adopted:	TBD

IV. CONCLUSION

ORA asks that a prehearing conference be set in this matter to determine the parties, issues raised by this application, scheduling, and other procedural matters.

Respectfully submitted,

/s/ NIKI BAWA
Niki Bawa
Attorney

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2049
E-mail: Niki.Bawa@cpuc.ca.gov

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