

January 24, 2022

Mr. Koko Tomassian
Program Manager, Compliance Assurance Division
Office of Energy Infrastructure Safety
715 P Street, 20th Floor
Sacramento, CA 95814

Reference: Energy Safety-ID: NOV_PGE_QP_20210304-01
Notice of Violation: Government Code § 15475.2 and the California Code of Regulations, Title 14,
Division 17 § 29302(b)(2)

Dear Mr. Tomassian:

This letter is in response to the December 23, 2021, Office of Energy Infrastructure Safety (Energy Safety) Notice of Violation (NOV). This NOV is Energy Safety's compliance assessment of our March 4, 2021, self-report letter where we reported missed hydroelectric substation enhanced inspections in Tier 3.

Energy Safety based its compliance assessment on the following statute and code sections:

California Government Code Section 15475.2, "Notice of Defect or Violation" states in part:

"The office may issue a notice of defect or violation to direct the regulated entity to correct any defect or noncompliance with the approved wildfire mitigation plan or failure to comply with any laws, regulations, or guidelines within the authority of the office."

California Code of Regulations, Title 14, Section 29302(b)(2), "Investigations, Notices of Defect and Violation, and Referral to the Commission" states in part:

"The Director may designate a compliance officer to consider the findings of any investigation. The compliance officer may issue any of the following:

...

(2) Notice of violation, identifying noncompliance with an approved Wildfire Mitigation Plan or any law, regulation, or guideline within the authority of the Office."

The NOV alleges the following:

PG&E’s 2020 Wildfire Mitigation Plan (WMP) states that it will complete “supplemental inspections once annually for all High Fire Threat District (HFTD) Tier 3 substations, on a three-year cycle for stations in HFTD Tier 2.” By its own admission in the March 4, 2021 Self-Report Letter, in 2020, PG&E did not perform annual inspections of 24 hydroelectric substations in Tier 3 as stated in its 2020 WMP. Energy Safety finds that this violation has a risk category of Moderate (see table below).

Risk Category	Violation and Defect Correction Timeline
Severe	<ul style="list-style-type: none">• Immediate Resolution
Moderate	<ul style="list-style-type: none">• 2 months (in HFTD Tier 3)• 6 months (in HFTD Tier 2)• 6 months (if relevant to worker safety; not in HFTD Tier 3)
Minor	<ul style="list-style-type: none">• 12 months or resolution scheduled in WMP update

Energy Safety directed that we identify all corrective actions and preventive measures taken or planned to remedy and prevent recurrence by January 24, 2022.

Background

In our 2020 WMP, we established a reinspection frequency for our assets in HFTD areas based on Tiers. In the 2020 WMP, we targeted performing detailed overhead inspections on 100% of HFTD Tier 3 assets.

On March 4, 2021, we self-identified missed enhanced inspections of our assets in HFTD areas that are subject to our WMP. We discovered these issues as part of our asset management and corrective action programs. These efforts led us to determine that although in 2019 we performed enhanced inspections of all hydroelectric substations, in 2020, we did not inspect 24 hydroelectric substations in Tier 3 HFTD areas. We explained that we would perform remedial inspections on an expedited basis of the hydroelectric substations, unconfirmed spans of corresponding gen-ties and pass-throughs, and that we expected the Tier 3 inspections to be completed by March 13, 2021. We also explained that we would promptly address any high priority tags resulting from those inspections. In addition, we would also perform a Root Cause Evaluation (RCE) to formulate any additional, necessary corrective actions.

On March 12, 2021, we provided an update on the progress we made towards addressing the enhanced inspections of our assets subject to our WMP (as described in our March 4, 2021 letter). We explained that we completed all enhanced inspections of Tier 3 substations and that we also addressed all of the highest priority tags resulting from the Tier 3 inspections.

On May 20, 2021, we provided a final update on our efforts to complete the missed 2020 WMP enhanced inspections of PG&E hydroelectric substations, including providing a summary of the RCE. In this update, we corrected the number of missed Tier 3 hydroelectric substation inspections from 24 to 22. In addition, we were on track to complete the B tags from the inspections by mid-June.

According to the RCE report, the fundamental underlying cause of the missed inspections was the failure to adequately transfer the PG&E Wildfire Mitigation Plan information and responsibilities from Wildfire Safety Inspection Program (WSIP) to Electric Operations from 2019 to 2020, which resulted in missing assets previously recognized as requiring enhanced inspections in the future Wildfire Mitigation Plan. In addition, when PG&E stood down the 2019 WSIP group at the end of 2019, we were undergoing organizational and leadership changes. When PG&E developed the new 2020 WMP, oversight groups monitored compliance against the plan without realizing that the 2020 plan did not include inspections of assets inspected under the 2019 WSIP.

The RCE report also identified two contributing causes. First, Power Generation and Electric Operations had failed to update the 1999 memorandum of understanding (MOU) allocating responsibilities for electric facilities. Second, Corrective Action Plan (CAP) teams failed to appreciate the level of risk related to omitting asset inspections from the 2020 WMP.

Response

We agree that we did not meet our 2020 WMP target to perform detailed overhead inspections on 100% of HFTD Tier 3 assets. We reported missed inspections for 22¹ hydroelectric substations in Tier 3 HFTD areas. However, we met our target in 2021 and completed inspections on 100% of HFTD Tier 3 hydroelectric substations, including the 22 substations that were missed in 2020.

The corrective actions taken in response to these missed inspections include the following:

- All enhanced inspections of Tier 3 substations were completed by March 2021.
- All highest priority tags resulting from the Tier 3 inspections were addressed by March 2021.
- All B priority tags resulting from Tier 3 inspections were addressed by June 2021.

In addition, we have implemented or are in the process of implementing the following preventive measures to address contributing causes around missed hydroelectric substation enhanced inspections in Tier 3 HFTD.

¹ The May 20, 2021 Self-Report update corrected the total missed hydroelectric substation inspections in 2020 from 24 to 22 locations.

- We reviewed completed CAP issues associated with Wildfire Inspections for appropriate closure and reopened those where future actions were identified and verified completion of the required activities.
- We reinforced the expectations regarding CAP quality closure and the appropriate use of long-term corrective actions.
- We updated the Enterprise CAP Risk Matrix to provide more definitive guidance regarding classification of risk prioritization.
- We developed a Memorandum of Understanding between Power Generation and Electric Operations for hydroelectric substation enhanced inspections.
- We are in the process of developing clear roles and responsibilities of Asset Managers and the Inspection Execution Teams across all impacted Lines of Business, including oversight responsibilities, a comprehensive asset inventory with programmatic oversight to ensure compliance, and a comprehensive, auditable asset maintenance and inspection program in accordance with internal standards.

To prevent recurrence of misreporting and missing our WMP targets moving forward, we initiated the following preventive measures:

- Improved WMP reporting practices by identifying key internal stakeholders, defining the success criteria (i.e., unit completion) for WMP targets, articulating evidence required to substantiate completion, and defining Key Performance Indicators (KPIs) to measure progress.
- Enhanced WMP target closure processes by adding discrete layers of internal review before official closure (or completion) of a target.
- Instituted a Lean Operating System to create a more effective operating structure that establishes daily operating reviews to improve visibility into all facets of our performance, including safety, quality, and work completion for our wildfire risk reduction programs. The Lean Operating System will facilitate rapid response and problem-solving at both the regional and functional levels and help accelerate our WMP implementation in a standardized and coordinated way across the company.

We also note that the 2020 Independent Evaluator Report confirmed we met all 2020 WMP targets except for the three self-reported issues that are the subject of Energy Safety's December 23, 2021, NOVs, including the missed hydroelectric substation enhanced inspections in HFTD Tier 3.

Please contact me at (415) 420-0422 if you have any questions regarding this matter.

Sincerely,

Lise Jordan,
Sr. Director, Regulatory Compliance

cc:

Melissa Semcer, Office of Energy Infrastructure Safety
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