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NORTHERN DISTRICT OF CALIFORNIA

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December 31, 2018

VIA EMAIL

Honorable William Alsup
United States District Court
Northern District of California
450 Golden Gate Avenue, Courtroom 12
19th Floor
San Francisco, CA 94102

Re: Federal Monitor Submission Pursuant to November 27, 2018 Notice

Dear Judge Alsup:

Please find below the response of the federal monitor ("Federal Monitor") to the third question in the Court's November 27, 2018 Notice re: California Wildfires.

3. What specific steps has the monitor herein taken to monitor and improve PG&E safety and reporting with respect to power lines and wildfires?

The Federal Monitor position, and associated team of attorneys and outside experts (the "Monitor team"), was created as a result of the guilty verdict in *United States of America v. Pacific Gas and Electric Company*, Case No. 3:14-cr-00175. The Monitor team began its work in the spring of 2017 and has been assessing and evaluating certain aspects of PG&E's operations and culture since that time. Overall, the Monitor team works to identify areas within the scope of the monitorship order associated with the guilty verdict ("Monitorship Order") where PG&E has gaps in its practices, areas that need improvement, or issues that need to be addressed. In order to discharge those responsibilities, the Monitor team has met and interacted with representatives of the Justice Department, local law enforcement, the California Public Utilities Commission ("CPUC"), and San Bruno city leaders. The Monitor team has also met and interacted with employees at all levels of PG&E. Additionally, the Monitor team has access to PG&E's documents, procedures, databases, and other requested information. The original scope of the Monitorship is set forth in the Monitorship Order and includes fifteen individual requirements, primarily focused on assessing PG&E's gas operations and gas transmission system, its corporate Compliance and Ethics program, and safety at PG&E. That is where the bulk of the Monitor team's work has focused.

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In November 2017, after the Wine Country fires, the United States Attorney's Office, PG&E, and the Federal Monitor agreed that it would be appropriate to incorporate certain aspects of PG&E's electric distribution system—not electric transmission, which can be subject to different regulations and comprised of different infrastructure and technologies—and emergency response practices into the scope of the Monitor team's ongoing assessment. As a result, the Monitor team is also assessing PG&E's current and future vegetation management programs for its electric distribution system, its pole and equipment inspection and maintenance programs for its electric distribution system, and the emergency response programs utilized by PG&E during emergencies. The Monitor team's evaluation in these areas is forward-looking and is not attempting to identify the cause of any fire, or whether there were any violations of law or regulation related to wildfires, as those are the subject of multiple ongoing state investigations, including by the California Department of Forestry and Fire Protection ("Cal Fire") and the CPUC, as well as multiple lawsuits.

Additionally, the Monitor team is prepared to evaluate and assess how PG&E incorporates recommendations, requirements, or changes to its electric distribution operations as made by regulatory agencies as a result of their respective investigations into wildfires. For example, the Monitor team anticipates that Cal Fire, the CPUC, and other agencies may identify concerns arising from their investigations, which should be evaluated and addressed by PG&E. Those recommendations have not yet been made; when they are, the Monitor team anticipates assessing and critiquing PG&E's efforts to implement the required changes.

As an overview of the Monitor team's activities in the electric distribution space, which includes input from outside experts who are members of the Monitor team: the Monitor team has made numerous requests for documents and information from PG&E related to its electric operations within the agreed-upon focus; it has conducted numerous meetings with key office personnel about each of the three specific areas of focus regarding electrical operations; it has met with senior leadership on multiple occasions to discuss recent issues and operations; it has obtained and reviewed over 750 documents concerning PG&E's policies, practices, and procedures; and it has conducted several field and site visits, including observing emergency command operations during a simulated Public Safety Power Shut-off training exercise, two days of pole inspections, emergency command and base camp operations in response to the Camp Fire, and real-time wildfire risk monitoring at PG&E's Wildfire Safety Operations Center.

Many of PG&E's electric operations programs are in flux and undergoing changes. As such, the Monitor team's evaluation of these programs and related policies and procedures is ongoing.

Beyond the specific activities related to the electric distribution-focused work of assessing vegetation management, pole and equipment inspection and maintenance, and emergency response efforts, the Monitor team's other work streams relate to its efforts to push and drive PG&E to

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become a safer organization. In particular, the Monitor team has worked to assess the corporate Compliance and Ethics program and pushed PG&E to leverage its "Speak Up Culture" to improve its safe operations—a culture whereby all PG&E employees, leaders, and contractors need to Speak Up when they see a safety issue, regulatory issue, or an opportunity for improvement, and one where managers listen to and follow up on the issues. The Monitor team believes that a strong and robust Compliance and Ethics program is important for safe operations at PG&E. There needs to be a culture of compliance with regulations, where leaders, employees, and contractors understand the regulatory and legal requirements and comply with those obligations. Beyond the minimum regulatory obligations, it is important to have a culture at PG&E where people do the right thing, even when regulations are opaque or inadequate. The Monitor team's efforts are also aimed at evaluating these cultural components of PG&E.

Accordingly, the Monitor team and its subject matter experts have also focused on how PG&E evaluates its safety performance and its safety culture. The Monitor team has identified various metrics used by PG&E to measure its safety and has evaluated how safety incidents are discussed throughout the company. The Monitor team has pushed PG&E to continue to develop its process safety teams, and continue to develop safety metrics that are leading indicators of improvements in safety culture at PG&E.

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To the extent the Court has additional questions about the work completed by the Monitor team, the Monitor team is available to meet with the Court as necessary. When the monitorship was implemented by Judge Henderson, the Monitor team anticipated regular in-chambers meetings with the Court (which Judge Henderson said was his regular practice) and the Monitor team is prepared to do so, if the Court wishes. The Monitor team also is prepared to attempt to follow up on questions or inquiries from the Court, as the Court sees fit, regarding the Company's operations, and to report back in chambers to the Court.

Sincerely,



Mark Filip, P.C.
Federal Monitor

cc: Hallie Hoffman, United States Attorney's Office, Northern District of California
Jennifer Hutching, United States Probation Office, Northern District of California
Reid J. Schar, Jenner & Block, Counsel for PG&E