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December 11, 2001

Mr. Dale Hardy Roberts Public Service Commission P. O. Box 360 Jefferson City, MO 65102

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Ssouri Public S≈iVice Commission

RE: Missouri-American Water Company - Case No. 4/0-2002-273

Dear Mr. Roberts:

DAVID V.G. BRYDON

PAUL A. BOUDREAU

SONDRA B. MORGAN CHARLES E. SMARR

JAMES C. SWEARENGEN WILLIAM R. ENGLAND, III

JOHNNY K. RICHARDSON GARY W. DUFFY

> Yesterday, I filed an Application for Accounting Authority Order Requested to be Issued Prior to January 4, 2002, and Motion for Expedited Treatment. It has come to my attention that Appendix A was not attached to that pleading. Therefore, I am enclosing nine copies of Appendix A.

> If you have any questions concerning this matter, then please do not hesitate to contact me. I apologize for any inconvenience this oversight might have caused.

Sincerely,

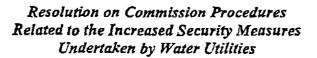
BRYDON, SWEARENGEN & ENGLAND P.C.

By:

copu by Pg Dean L. Cooper

DLC/rhg

Enclosures cc: Office of the Public Counsel Mr. Keith Krueger Mr. Dale Johansen Mr. David Abernathy



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WHEREAS, Due to the tragedy of the September 11, 2001 terrorist attacks, a heightened focus has been placed upon water utilities' adoption of increased security measures, where appropriate, as well as upon certain Public Utility Commission procedures related to cost recovery and handling of sensitive documents; and

WHEREAS, The safety and protection of our nation's water utilities are critical and essential to the health, safety, well-being and continued economic development of our communities; and

WHEREAS, Water utilities may be making unexpected and, in some cases, potentially significant expenditures for the assessment and implementation of new, improved and/or more comprehensive security measures in response to potential threats or terrorist attacks; and

WHEREAS, To assist with efficient cost recovery of prudently-incurred security-related expenditures, and to reduce uncertainty regarding the ability to recover prudentlyincurred security related costs, Public Utility Commissions may wish to consider the following mechanisms which acknowledge the special needs surrounding these new expenditures, noting that these expenditures are neither revenue producing nor are items that are likely to produce efficiencies by reducing expenses over time:

- A separate cost recovery method, such as a single issue rate case, limited proceeding, "pass-through," or a surcharge, if applicable; or
- Deferral of expenses for accounting purposes only until a more comprehensive rate case expense review can take place at the time of the utility's next base rate case filing;
 - Two commonly used expense deferral mechanisms are the use of account balancing coupled with the creation of regulatory assets or a request for special accounting treatment via a Petition for Declaratory Order; and

WHEREAS, Certain new expenditures may be incurred for specific security measures which may be highly sensitive, thereby necessitating confidential treatment by both the utility and Public Utility Commission; and

WHEREAS, Public Utility Commissions across the United States are in the process of reviewing their procedures for handling sensitive and confidential information, including state statutes relating to the required disclosure of publicly filed documents; and

WHEREAS, Procedural methods may include retaining information deemed sensitive by either the utility and/or the Commission in a secure location under seal, limiting attendance at some hearings, and/or securing certain information from unrestricted public access; now therefore be it



RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) convened at its November 2001 Annual Convention in Philadelphia, Pennsylvania recommends that Public Utility Commissions and water utilities work together to identify effective procedures for selective access to information related to security measures of a highly sensitive nature, that if accessible to the public, could conceivably compromise the security of the utility's water quality and service reliability; and be it further

RESOLVED, That within this review, consideration be given to existing directives and guidance pertaining to sensitive document procedures established for the nuclear industry as issued by the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, or any other similar body, and be incorporated, if applicable; and be it further

RESOLVED, That water utilities are encouraged to take all necessary and prudent precautionary steps to secure facilities; and be it further

RESOLVED, That when taking these steps, water utilities are encouraged to communicate promptly with regulators, preferably prior to the expenditures being made; and be it further

RESOLVED, That the media is encouraged to be sensitive to security issues at stake in order to prevent providing instructions to terrorists as to how to contaminate water supplies and/or otherwise detrimentally affect water system reliability; and be it further

RESOLVED, That Public Utility Commissions should seek coordination with all applicable state security related agencies, emergency management agencies, environmental protection agencies and health departments; and be it further

RESOLVED, That as a result of this interaction between water utilities and Public Utility Commissions, guidelines will be developed for effective handling and treatment of documents of a sensitive security nature which will be discussed at the 2002 Winter Meetings to be held in Washington, D.C.

Sponsored by the Committee on Water Adopted by the NARUC Board of Directors, November 13, 2001