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December 31, 2001

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Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED²

DEC 31 2001

Missouri Public
Service Commission

RE: Case No. OO-2002-202

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **REPORT TO THE COMMISSION CONCERNING STAFF'S INVESTIGATION INTO PUBLIC UTILITY EMERGENCY PREPAREDNESS.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Lara L. Shemwell
Associate General Counsel
(573) 751-7431
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LS/lb
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

DEC 31 2001

In the Matter of an Investigation into)
Public Utility Emergency Preparedness.) Case No. OO-2002-202

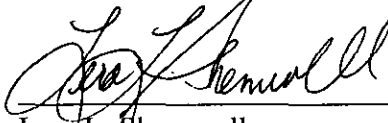
Missouri Public
Service Commission

REPORT TO THE COMMISSION CONCERNING
STAFF'S INVESTIGATION
INTO PUBLIC UTILITY EMERGENCY PREPAREDNESS

COMES NOW the Staff of the Missouri Public Service Commission ("the Staff") and for its Report to the Commission in the Investigation into Public Utility Emergency Preparedness states as follows:

1. On October 31, 2001, the Commission established this case for the purpose of receiving information from public utilities concerning their emergency preparedness.
2. The Staff surveyed Missouri utilities concerning their plans to address disaster and emergency situations. Staff's Report, which summarizes the survey responses, is attached.
3. As a result of this investigation and based on review of the responses received from the utility companies as well as a review of the American Gas Association's draft list of best practices, Staff has developed an initial list of best practices for increasing security.
4. Staff will continue to review surveys from utilities as they are received and will also continue to review any lists it becomes aware of regarding best practices for effective security for utility companies. Staff does not anticipate any additional reports to the Commission unless Staff's continued reviews indicate that another report is necessary, or unless the Commission determines that another report would be useful.
5. The Commission and Staff continue to participate in the Governor's Security Panel.

Respectfully submitted,

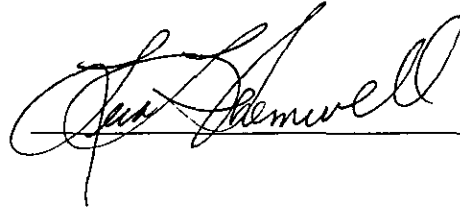


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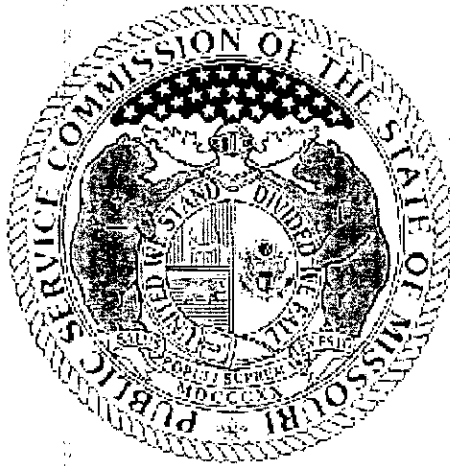
Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 31st day of December, 2001.



Service List for
Case No. OO-2002-202
Revised: December 31, 2001 (SW)

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102



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Missouri Public
Service Commission

THE MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT TO THE COMMISSION

REGARDING THE MATTER OF

AN INVESTIGATION INTO

PUBLIC UTILITY EMERGENCY PREPAREDNESS

CASE NO. OO-2001-202

Jefferson City, Missouri
December 2001

**REPORT TO THE MISSOURI PUBLIC SERVICE COMMISSION
REGARDING CASE NUMBER OO-2002-202
ON THE MATTER OF AN INVESTIGATION
INTO PUBLIC UTILITY EMERGENCY PERPAREDNESS**

Procedural History

On October 23, 2001, the Commission's Staff filed a motion to establish an investigative case. Staff proposed to survey Missouri utilities concerning their preparedness for disaster and emergency situations including procedures for dealing with terrorist threats or attacks. On October 31, 2001, the Missouri Public Service Commission (Commission) established Case No. OO-2002-202 for the purpose of "surveying Missouri utilities and receiving interim and final reports by the Commission's Staff." A survey composed of 11 questions was mailed to all companies on the Commission's Utility Service List on October 31, 2001. These companies include 104 city and municipality, 52 electric (includes 46 electric cooperatives), 14 gas, 612 telephone (includes ILECs, CLECs, IXCs, and resellers), and 85 water and sewer utilities. Companies were requested to respond to the survey by December 1, 2001. On December 14, 2001, the staff filed an up date in this case with the Commission reporting on the progress of this project.

Security Survey

The survey questionnaire included the following 11 questions:

1. Do you currently have an Emergency Plan in effect?
2. What is included in the plan? (Please list all topics)
 - a. Does it include computer systems?
 - b. Does it include hazardous materials?
3. If you currently have an Emergency Plan, how often is it reviewed?
4. Are periodic emergency drills held that include all staff?
5. Does your Emergency Plan include procedures for terrorist attacks?
6. In an emergency, what state or federal agencies are you required to provide information?
7. What, if any, additional steps have you taken since the September 11, 2001 event to protect your staff and facilities?

8. What training do employees receive?
9. What is the name, address, and phone number of your emergency contact person?
10. Do you anticipate any impact on rates as a result of increased security measures?
11. Have you addressed emergency plans with external suppliers, contractors, and other business partners or vendors? If so, please explain.

Survey Response Rate

The following table illustrates the number of surveys sent and returned on the basis of utility type as of December 14, 2001:

Number of Surveys Sent/Returned by Utility Type						
	City/Municipal	Electric	Gas	Telephone	Water & Sewer	Total
# Sent	104	52	14	612	85	867
# Returned	40	35	7	152	28	262
Response Rate	38%	67%	50%	25%	33%	30%

As shown, 30% of the surveys sent out were returned by December 14, 2001. The response rate by utility type ranged from 25% for telephone utilities to 67% for electric utilities. It should be noted that combination utilities that provide more than one type of utility service were sent a survey questionnaire for each utility service they provide; however, in most cases only one survey was returned. For example, one utility that serves both gas and electric customers was mailed two surveys: one for its gas operations and one for its electric operations, but only the gas survey was returned. Consequently, the summary of survey responses reflects that a survey was returned for the gas operations of the utility, but not the electric.

Survey Responses

Seven of the survey questions could be answered with a yes or no response. The following summary discussion includes a table for each of the five utility categories that summarize the utilities' responses to these seven questions. The seven questions and the abbreviated identifier used in the tables associated with each question are as follows:

1. Do you currently have an Emergency Plan in effect? (Emergency Plan?)
2. Does it include computer systems? (Computer Systems?)
3. Does it include hazardous materials? (Hazardous Materials?)
4. Are periodic emergency drills held that include all staff? (Emergency Drills?)
5. Does your Emergency Plan include procedures for terrorist attacks? (Terrorist Attacks?)
6. Do you anticipate any impact on rates as a result of increased security measures? (Rate Impact?)
7. Have you addressed emergency plans with external suppliers, contractors and other business partners or vendors? (External Suppliers?)

The summary of the city and municipal utility responses is provided in the following table:

City and Municipal Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	24	8	75%
2. Computer Systems?	10	30	25%
3. Hazardous Materials?	28	12	70%
4. Emergency Drills?	12	28	30%
5. Terrorist Attacks?	14	26	35%
6. Rate Impact?	4	36	10%
7. External Suppliers?	9	31	23%

As shown, approximately 75% of the city and municipal utilities indicated that they have an Emergency Plan in effect. About 70% include hazardous materials within the scope of the plan, 35% include plans for a terrorist attack, and 10% anticipate a rate impact from the emergency plan.

The summary of the electric utility responses is provided in the following table:

Electric Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	34	1	97%
2. Computer Systems?	22	13	63%
3. Hazardous Materials?	26	9	74%
4. Emergency Drills?	11	24	31%
5. Terrorist Attacks?	5	30	14%
6. Rate Impact?	2	33	6%
7. External Suppliers?	15	20	43%

As illustrated, about 97% of the electric utilities that responded indicated they have an emergency plan in effect. Computer systems and hazardous materials are covered in plans 63% and 74% of the time, respectively. About 14% of the electric utilities' plans include procedures for terrorist attacks and 6% anticipate a rate impact from their emergency plan.

The summary of the gas utility responses is provided in the following table:

Gas Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	7	0	100%
2. Computer Systems?	5	2	71%
3. Hazardous Materials?	4	3	57%
4. Emergency Drills?	4	3	57%
5. Terrorist Attacks?	3	4	43%
6. Rate Impact?	3	4	43%
7. External Suppliers?	5	2	71%

All of the gas utilities that responded indicated they have an emergency plan in place. Computer systems are addressed in about 71% of the plans and 43% of the gas utilities have incorporated procedures covering terrorist attacks. About 43% of the utilities anticipate a rate impact from their emergency plan.

The summary of the telephone utility responses is provided in the following table:

Telephone Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	60	92	39%
2. Computer Systems?	45	107	30%
3. Hazardous Materials?	29	123	19%
4. Emergency Drills?	23	129	15%
5. Terrorist Attacks?	14	138	9%
6. Rate Impact?	1	151	1%
7. External Suppliers?	30	122	20%

As shown, about 39% of the telephone utilities responded that they have an emergency plan. Approximately 30% of the plans incorporate computer systems. About 9% of the telephone utility plans include procedures for terrorist attacks and only 1% anticipate a rate impact.

The summary of the water and sewer utility responses is provided in the following table:

Water & Sewer Utility Responses			
	Yes	No	% Yes
1. Emergency Plan?	26	9	74%
2. Computer Systems?	9	19	32%
3. Hazardous Materials?	10	18	36%
4. Emergency Drills?	7	21	25%
5. Terrorist Attacks?	7	21	25%
6. Rate Impact?	4	24	14%
7. External Suppliers?	6	22	21%

As illustrated, approximately 74% of the water and sewer companies indicated they have an emergency plan. About one-third of the plans address computer systems and hazardous materials. Approximately 25% of the water and sewer companies have included procedures for terrorist attacks and 14% of the companies anticipate a rate impact from their plans.

The following table summarizes the percentage of yes responses provided by each of the five categories of utilities:

Percentage of Yes Utility Responses					
	City & Municipal	Electric	Gas	Telephone	Water & Sewer
1. Emergency Plan?	75%	97%	100%	39%	74%
2. Computer Systems?	25%	63%	71%	30%	32%
3. Hazardous Materials?	70%	74%	57%	19%	36%
4. Emergency Drills?	30%	31%	57%	15%	25%
5. Terrorist Attacks?	35%	14%	43%	9%	25%
6. Rate Impact?	10%	6%	43%	1%	14%
7. External Suppliers?	23%	43%	71%	20%	21%

It is interesting to note that gas utilities responded yes the greatest percentage of time to all but one of the seven questions. Electric utilities tended to address hazardous materials in more of their plans than any other type of utility. The percentage of companies that have incorporated terrorist attack procedures in their plans ranges from 9% at telephone companies to 43% at gas companies.

General Observations

Missouri utility companies who responded to the survey indicated preparedness for a variety of types of emergencies. Missouri's natural gas companies responded that they have emergency plans in place that in addition to addressing physical plant and operations, address Company computer systems. While not all gas companies responded that their plans specifically addressed terrorists' attacks, all respondents indicated that their plans did address emergencies that could potentially impact utility operations such as fires, gas leaks, explosions and others.

The gas companies also generally indicated that additional security measures had been taken since the September 11, 2001 tragedies. For example, one company responded that it had developed contingency plans for relocation of its business units either to another company location or off-site completely. This same company has also begun changing the color of visitor badges daily to insure that unauthorized persons cannot reuse badges.

All the major electric companies responded to the Commission survey that they have emergency plans in effect. These companies also indicated that their emergency plans addressed company computer systems. As indicated by at least one survey response, the fact that companies recently prepared for the Year 2000 regarding their computer systems has provided additional preparation for other types of disasters including terrorist attacks. Several companies responded that they have further developed plans to address suspicious mail and bomb threats as well as plans to control access to facilities during threats such as possible attacks on utility property. All large electric companies indicated they have made additional preparations since September 11, 2001.

The state's water utilities indicated that they have emergency operating plans that address both computer systems and hazardous materials. The plans include shut-down procedures, fire notification and response as well as procedures to address major power losses. The responses indicated further that they have developed separate plans to address possible terrorist attacks and threats to any of their facilities and, like other utility industries, have taken additional security measures since September 11, 2001.

The major telecommunication companies have emergency plans in place and have indicated that since September 11, 2001 they have operated with "increased awareness" or in an "alert status."

Based upon its review of the survey responses and review of a draft "best practices" document developed by the American Gas Association, the staff has accumulated the attached list of "Best Practices" for Improving Security. This is not an all-inclusive list and is being provided as suggestions for consideration of enhanced security measures. A Commission staff review found that many of the items presented as "best practices" are currently being performed by Missouri's utilities as presented in their survey responses. Some of these items include: keeping employees informed and promoting a higher state of vigilance, increased use of patrols, protecting access to facilities, and others.

“Best Practices” for Improving Security

- Keep employees informed and promote a state of higher vigilance
- Require employees and visitors to wear IDs on company property
- Increase patrols and log security status by employees at company offices
- Monitor requests for system information from outside sources—Require that all information requests be in writing on company letterhead and only give out information with management approval
- Conduct communication checks on a periodic basis and provide additional communication devices; i.e., radios, cell phones, etc., for employees
- Encourage employees to be aware of their surroundings while working on system facilities
- Increase patrols and log security status of employees around the system
- Encourage employees to take all system alarms, routine or otherwise, seriously and investigate the alarms to verify system status
- Meet with local, state, federal, and possibly military law enforcement to increase awareness and to assist in patrolling key facilities and responding to emergencies
- Develop threat response levels to ensure response is appropriate to threat
- Develop security and staffing procedures relative to each of the threat levels
- Install new or additional protective barriers to manage and protect access to aboveground facilities as needed
- Add third-party security forces if needed
- Add additional electronic surveillance equipment such as cameras, motion alarms, etc., as needed
- Increase use of SCADA systems to monitor system operating conditions at critical facilities
- Change locks on all facilities to better manage access—review possible use of programmable and other high security locking devices
- Lock all valves (critical or non-critical) at aboveground facilities
- Secure all company equipment (valve keys, etc.) vehicle supplies, and vehicles when not in use
- Inventory company critical tools and equipment and manage more closely to prevent theft and use by unauthorized persons
- Limit access to excavations around facilities and do not leave the excavation open for extended periods of time
- Monitor excavation activities around critical facilities
- Conduct table top exercises, field exercises, mock disaster drills
- Have adequate tools, and equipment in inventory to repair or replace critical and/or site specific emergency response equipment

Attachment A

- Establish alternate communication systems in event of primary communication system failure
- Review alternate access routes to critical infrastructure in case primary route is unavailable
- Stage equipment to allow quick response—example, what if tunnels or bridges are not accessible?
- Determine what “out of the ordinary” equipment may be necessary to ensure access
- Meet with contractors in your area to evaluate what equipment they may have for use in the event of emergency
- Provide for alternate power supplies and periodically test them to ensure operation
- Have adequate vehicle and equipment logistics available-fuel, tires, spares, etc.
- Frequently meet with local law enforcement officials and health officials to discuss preparedness plans