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In Re the Matter of an Investigation Into
Public Utility Preparedness for Year 2000
Conversion.

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There are only 500 days remaining until the year 2000. Numerous recent reports, including one study just released by the Senate Special Committee on the Year 2000 and another undertaken by the National Regulatory Research Institute, show utility companies lagging behind in their preparedness for the change in millennia. As the immovable deadline approaches, the Commission has determined that the focus must change from technical compliance to actual business readiness. The Commission must ensure that the utility industry remains ready to serve Missouri's ratepayers into the next century.

The year 2000 date field exists primarily within computer software and presents an ubiquitous problem which, if not properly addressed, could cause disastrous results. The year 2000 (Y2K) problem occurs in three different areas: two-digit date storage, leap year calculations, and special meanings for dates.

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Leap year calculations are complicated by the fact that the rules for leap year calculations suggest that a year is a leap year if it is divisible by four, but if it is divisible by 100 it is not a leap year. However, the year 2000 is a special case leap year which occurs only once every 400 years. It is not clear that software programs in existence will recognize this fact.

Lastly, Y2K solutions must address special meanings for dates. In order to write more efficient code, which allowed for the use of less memory, many date fields were also used to provide special functionality. The most common date used for this was 9/9/99. This code was used in some applications to indicate "save this data item forever" or "remove this data item automatically after 30 days." The specific meaning for this code varies by organization and software application. The solution for 9/9/99 obviously cannot wait until the year 2000. Data entries which refer to September 9, 1999 will invoke this problem.

Illustrations of the potential magnitude of the Y2K problem may be found in each industry. For instance: a five minute telephone call placed just before midnight on December 31, 1999, may be billed as a million-minute call, lasting from 1900 to 1999 because of software inabilities to distinguish between the year 1900 and the year 2000.

Another example of the potential damage may be demonstrated by the way in which electric utility companies conduct their business using the World Wide Web. In April 1996, the Federal Energy Regulatory Commission (FERC) issued an order directing all electric companies to build web sites to allow wholesale electric customers to shop and place orders freely. This FERC order resulted in the establishment of "Open Access Same-time Information Systems" (OASIS) web sites. The ruling mandated that public electric utilities use the web to give wholesale sellers and purchasers

equal access to information on transmission availability and pricing. Using the web to open up the reservation process was a key part of deregulation and it has been estimated that between \$25 to \$50 billion worth of transactions were conducted over the Oasis system(s) in 1997. A Y2K induced crash could put the entire electric utility network at risk.

Even if such disasters are averted, a failure to respond in advance may still result in adverse impacts on Missouri's ratepayers. The failure to deal with the Y2K problem in a timely manner may mean that the costs to correct this problem become unreasonably high when the issue must be dealt with, and corrected, on an emergency basis. The Commission must ensure that if any such inefficiencies occur, they are not passed on to Missouri's ratepayers. However, it would be premature to use this case to determine whether the costs for Y2K correction should be borne by the shareholder or the ratepayer. Federal Communications Commissioner Michael Powell recently characterized that issue stating that "Such squabbling will suck up precious time we don't have. The time to fight those battles is in 2001, not now." While the cost issue may not need to be delayed until 2001, it is clear that the first order of business is avoiding any interruption in utility service to Missouri's ratepayers. Once that goal has been accomplished, assessing reasonable and prudent expenditures will be much more clear.

The Commission initially addressed this matter with a survey it sent to all regulated utilities in February of 1998. That survey requested information from each utility regarding actions taken to become Y2K compliant. In addition to this survey, additional information was requested from all electric providers that have nuclear generation to ensure Y2K compliance. The Commission Staff also requested specific information from telecommunications utilities that provide 911 emergency

service to ensure their systems are Y2K compliant as well. Unfortunately, some responses were incomplete or, in some cases, simply were not provided and the time to await voluntary compliance has passed.

Therefore, the Commission has determined it appropriate to open this investigatory case so that it may ascertain the state of preparedness of all regulated utilities within the state of Missouri as well as municipalities, cooperatives and all other utility entities which come under the jurisdiction of the Commission for the purpose of safety. The Commission will direct every such entity to file with the Commission a completed and verified copy of the attached preparedness survey. Thereafter, the Commission will ascertain the need for hearings or for additional filings as may be appropriate. The Commission is aware that many utilities have already responded. Those entities may simply verify their survey as required herein and complete the additional questions. Any entity which has been ordered to submit a report on Y2K readiness to the FERC, Federal Communications Commission (FCC), or the Nuclear Regulatory Commission (NRC) should provide a copy of those same reports to the Public Service Commission.

The Commission does not intend to interfere with the utility companies on how they conduct their business on a daily basis. The courts have held that the Public Service Commission's authority to regulate does not include right to dictate the manner in which the utility company shall conduct business. State ex rel. Public Service Commission v. Bonacker, 906 S.W.2d 896, 899 (Mo Ct App 1995) and the Public Service Commission has no authority to take over general management of any utility. State ex rel. Laclede Gas Co. V. Public Service Commission, 600 S.W.2d 222 (Mo.App. 1980). However, the Commission does have the jurisdiction and authority to ensure public safety and the safe provision of utility services from

both regulated utilities and non-regulated utilities. A number of statutory sections, as well as decisions on the Missouri courts address this. Generally stated, "The power of the public service commission is an exercise of the police power of the state granted by the lawmaking power to that tribunal and overrides all contracts, privileges, franchises, charters, or city ordinances." State v. Public Service Commission of Missouri, 50 S.W.2d 114 (Mo. 1950). See also, Sections 386.310 and 393.140 RSMo 1996.

The top priorities by utility companies should include the following activities: conversion and testing of all, not just "critical" systems; assessing Y2K compliance of all external contractors, vendors and other business partners; assessing and acting upon all other supply chain issues; and, lastly, developing contingency plans.

IT IS THEREFORE ORDERED:

1. That case number 00-99-43 is established for an Investigation Into Public Utility Preparedness for Year 2000 Conversion.

2. That every utility which has been certificated by the Missouri Public Service Commission to provide service in the State of Missouri shall complete and file the Entry Of Appearance form attached to this order with and file it with the Secretary of the Commission, P.O. Box 360, Jefferson City, Missouri 65102, not later than September 2, 1998.

3. That every utility which is not certificated by the Missouri Public Service Commission but which is subject to the jurisdiction of the Missouri Public Service Commission for the purposes of safety shall complete and file the Entry Of Appearance form attached to this order with and file it with the Secretary of the Commission, P.O. Box 360, Jefferson City, Missouri 65102, not later than September 2, 1998.

4. That every party to this case shall complete the attached survey and file it with the Secretary of the Commission, P.O. Box 360, Jefferson City, Missouri 65102, not later than September 17, 1998.

5. That any party to this case which has previously filed documentation regarding Year 2000 with the Federal Energy Regulatory Commission, Federal Communications Commission, or the Nuclear Regulatory Commission shall provide a copy of those same reports to the Public Service Commission not later than September 17, 1998, and shall continue to provide copies of all such filings in the future to this commission.

6. That this order shall become effective on August 28, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Drainer,
Murray and Schemenauer, CC., concur.

Roberts, Chief Regulatory Law Judge

In Re the Matter of an Investigation Into)
Public Utility Preparedness for Year 2000)
Conversion.)

CASE NO. 00-99-43

Missouri Public Service Commission Y2K Questionnaire

**A Survey to determine the Scope of the Year 2000 (Y2K) Problem as it Relates to
Public Utilities in the State of Missouri.**

Utility Name Utility #

Y2K Project Coordinator
(Individual with primary responsibility for Y2K conversion and readiness)

Complete Address

Telephone #

E-Mail Address

Fax #

1. How many employees are specifically assigned to the Y2K problem?

2. Do you have a Y2K consultant? If so, please identify.

3. Do you (or does your parent company) have a Year 2000 Compliance statement? If so, please attach. If not, do you plan to have one in the future?
4. Please identify and describe in detail your current status in the Year 2000 preparedness process:
 - Have Not Started
 - Planning
 - Assessment
 - Remedying
 - Testing and Certifying
 - Finished
 - Not Following a Plan
6. What is the date at which you expect to be fully Year 2000 compliant?
Describe what tests or standards your company uses to determine "Y2K compliant" status.
7. Does your particular industry have an organization that is providing Y2K guidance and information? If so, please identify the organization.
8. Have you taken or are you planning to take any actions that you know will prevent disruptions in both service and or billing systems?

9. In assessing potential Y2K problems, which of the following best describes the anticipated impact for your utility operations? (circle one) please add additional information where appropriate:
- We will identify and correct all Y2K problems before Jan. 1, 2000.
 - We will be 100% compliant sometime after Jan. 1, 2000 with no significant disruptions to service or billing.
 - We will be 100% compliant sometime after Jan. 1, 2000 with some significant disruptions to service or billing.
 - We will be 100% compliant sometime after Jan. 1, 2000 but our assessment is not accurate enough to identify all problems that may significantly affect service or billing.
 - We are not following a compliance plan that calls for prior assessment of potential Y2K problems.
10. Please provide a copy of your contingency plan.
11. What is your estimated cost for investigating Y2K conversion and ensuring Y2K readiness and compliance?
12. Do you anticipate any impact on rates as a result of the Y2K conversion process? If so, please explain.
13. Have you addressed Y2K compliance with external suppliers, contractors, and other business partners or vendors? If so, please explain.
14. What is your plan for monitoring for potential problems after January 1, 2000?

Please return this questionnaire by September 17, 1998.
Send to:

Secretary of the Commission, 00-99-43
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

I (name), of lawful age, state upon my oath that I participated in the preparation of this survey to be filed in Case No. 00-99-43 and that the information contained herein is true and correct to my best knowledge and belief.

(Signature)
Written name of Y2K Coordinator
Title
Utility Company name

Subscribed and sworn to before me this ____ Day of _____ 1998.

Notary Public

My Commission expires:

Pursuant to the Code of State Regulations and Missouri Supreme Court Rules, pleadings filed with the Public Service Commission on behalf of another must be filed by an attorney licensed to practice law in the State of Missouri.

Signature: _____
Attorney
MO Bar # _____
Address _____
City _____ State _____
Phone # _____
Fax # _____
E-Mail: _____