

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
And Nora Mead Brownell.

Extraordinary Expenditures
Necessary to Safeguard
National Energy Supplies

Docket No. PL01-6-000

STATEMENT OF POLICY

(Issued September 14, 2001)

In light of tragic events that have taken place in our country this week and the high state of alert the country is now experiencing, the Commission believes it is appropriate to provide regulatory guidance on certain energy infrastructure reliability and security matters that may be affected by this Commission's rate jurisdiction. The Commission understands that electric, gas, and oil companies may need to adopt new procedures, update existing procedures, and install facilities to further safeguard their electric power transmission grid and gas and oil pipeline systems. The Commission is aware that there may be uncertainty about companies' ability to recover the expenses necessary to further safeguard our energy infrastructure, especially if they are operating under frozen or indexed rates. In order to alleviate this uncertainty, the Commission wants to assure the companies we regulate that we will approve applications to recover prudently incurred costs necessary to further safeguard the reliability and security of our energy supply infrastructure in response to the heightened state of alert. Companies may propose a separate rate recovery mechanism, such as a surcharge to currently existing rates or some other cost recovery method.

The Commission will give its highest priority to processing any filing made for the recovery of extraordinary expenditures to safeguard the reliability of our energy transportation systems and energy supply infrastructure. The Commission views the reliability of our Nation's energy transportation systems and energy supply infrastructure as critical to meeting the energy requirements essential to the American people. The Commission calls for the cooperation of the energy industry, customers, and state and

local governments to provide any additional safeguards necessary to protect the country's vital energy transportation systems and energy supply infrastructure.

By the Commission.

(S E A L)

Linwood A. Watson, Jr.,
Acting Secretary.