

The Missouri Public Service Commission

Commissioner

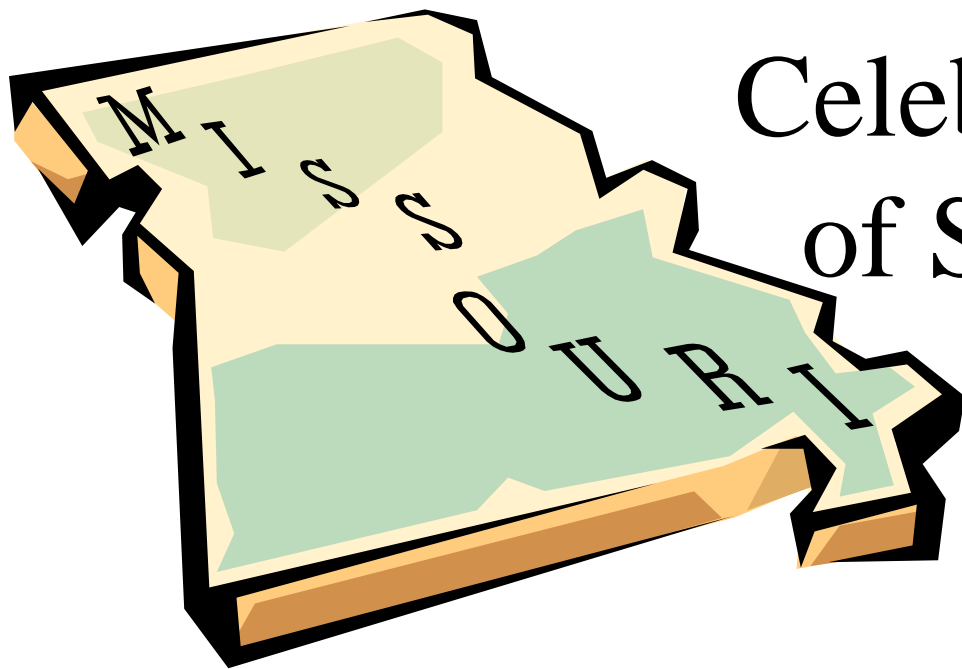
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Celebrating 90 Years of Service in 2003

From regulating street cars and railroads in 1913, to telephone divestiture and nuclear power plants, the PSC has had a major impact on Missouri's economy throughout the 20th Century.

Who We Are

- Created by General Assembly in 1913.
- Do much of our work through a 'quasi-judicial' process. (Many duties performed by conducting hearings in pending cases.)
- Also set policy by rule and regulation.

PSC Facts

- PSC is funded through assessments of investor-owned utilities (IOUs) based on their gross operating revenue in Missouri.
- FY 2004 appropriation: \$18.6million and 217 FTE
- Legislature approves budget but cannot use the funding elsewhere

The PSC

- Five commissioners appointed by the Governor. Commissioners serve staggered six-year terms.
- PSC Staff comprised of experts in fields of law, engineering, accounting, economics, finance, business and public administration

PSC Commissioners



Steve Gaw, chair



Connie Murray



Robert M. Clayton, III

Our Mission

Our mission is to ensure Missouri consumers receive safe, adequate, efficient and affordable services while allowing those utility companies under our jurisdiction an opportunity to earn a reasonable return on their investment. The Commission and staff are dedicated to fulfilling these public interest goals.

What We Do

➤ Must assure safe, adequate, reliable utility service at just and reasonable rates...

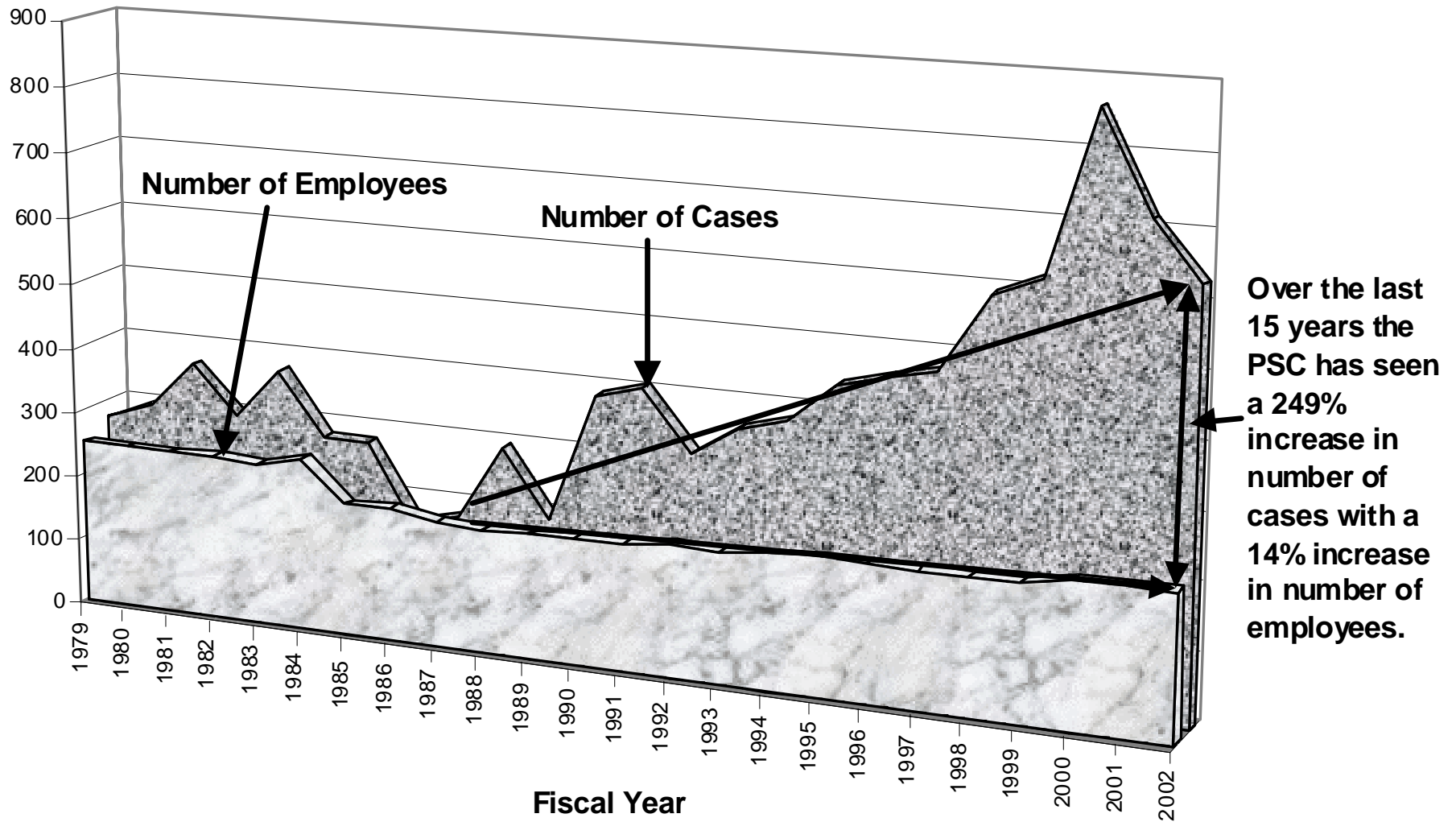
AND

➤ Provide utility shareholders an opportunity to earn a reasonable return on their investments.

PSC authority – Chapter 386, RSMo

PSC Caseload

**Missouri PSC Authorized Number of Employees vs.
Number of Cases (1979 to 2002)**



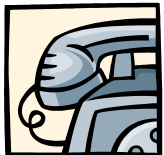
The PSC Regulates Investor-Owned Utilities



Electric companies



Natural gas companies



Telecommunication providers



Water and sewer companies



Manufactured Housing Dealers
and Manufacturers

Missouri's Regulated Utilities

- Four regulated electric utilities
(AmerenUE, Aquila, Empire District Electric, Kansas City Power & Light)
- Companies serve more than 1.8 million residential electric customers
- More than 50% served by AmerenUE
- Operating revenues more than \$3.1 billion in 2002

Natural Gas

Missouri's Regulated Utilities

- Seven regulated gas utilities

(AmerenUE, Aquila, Atmos, Fidelity, Laclede, Missouri Gas Energy, Southern Missouri Gas)

- Companies serve more than 1.4 million residential natural gas customers

- About 80% served by Laclede and Missouri Gas Energy (MGE)

- Operating revenues totaled more than \$1.2 billion in 2002

Natural Gas Issues

- Gas price hikes
- Review of Purchased Gas Adjustment (PGA) clauses for all Local Distribution Companies
- Energy assistance funding
- Consumer alert programs
- Intervention at FERC

Federal Natural Gas Activities

- Provide technical support in cases or projects
- Provide information on natural gas issues to the Commission
- Represent the Commission through the National Association of Regulatory Utility Commissioners (NARUC)
- Assist with federal legislative efforts

Federal Natural Gas Activities

- Monitor/Intervene/Participate in natural gas pipeline certificate, rate, and tariff cases before the Federal Energy Regulatory Commission (FERC)
- Monitor/Comment/Participate in FERC gas policy and rulemaking proceedings
- Monitor natural gas industry developments on the national level

Energy Department

Natural Gas Safety

- 42 Municipal natural gas operators
- 2 Special investigation units
(Ft. Leonard Wood & Pattonville HS landfill)
- Direct sales/transportation customers
- Master-meter operations

Natural Gas Prices

Several factors are causing natural gas prices to stay higher than normal:

- Tight supply of natural gas versus the current and anticipated demand growth
- High oil prices
- Available storage levels

Telecommunications

- More than 3.3 million phone lines in Missouri
- More than 70% owned by SW Bell
- 84 Competitive Local Exchange Companies
- 44 Local Telephone Companies
- 582 Interexchange Companies
- 307 Private Pay Phone Providers

Telecommunication Facts

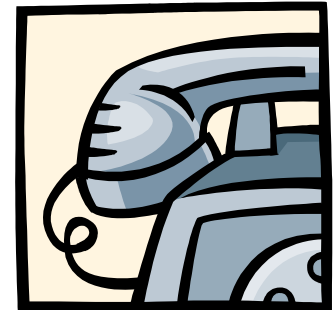
Since the Commission first authorized local exchange telephone competition in 1997, a total of 85 companies have been authorized by the Commission to provide telecommunications service in competition with the traditional incumbent local exchange carrier.

Telecommunications Issues

- Monitoring local telephone competition service
- Revising service and billing practices
- Monitoring federal telecommunications activities (FCC)
- Arbitration of interconnection agreements

Telecommunication Facts

As of July 2002, it is estimated that competitors serve approximately 450,000 access lines in Missouri, or about 13% of Missouri's approximately 3.3 million access lines.



Water & Sewer Companies

Water and Sewer Companies

- Mostly small companies
- Utilities range in size from 20 to 1,500 customers
- More than 90% IOU water customers are served by Missouri-American (413,965)
- Approximately 12,000 sewer customers served by 56 companies

Manufactured Housing

Manufactured Housing

- Missouri registered manufacturers: 139
- Missouri registered dealers: 310
- According to the 2000 Census, at least 8% of Missouri's housing stock is manufactured housing.

Electricity

Electric Issues

- Rate cases
- Mergers
- Monitoring FERC activities
- Utility preparedness
- Tariff Design and Approval
- Granting of Certificates (License)
- Intra-state business

The Electric Industry

- Planning -- PSC Staff meets with companies twice a year to discuss issues related to demand, growth, available supplies, and resource planning
- Monitor Trends --A number states are in different stages of restructuring retail markets.
- Monitor performance of Utility

Federal Electricity Activities

- NARUC Electricity Committee
- FERC Notices and Interventions
- Regional Transmission Pricing
- Transmission Congestion Management and Pricing
- NARUC Energy and Environment Staff Subcommittee
- Work with Commission on Standard Market Design (SMD) Policy

Benefits of Regulation

- Assures "Just and Reasonable Rates"
- Provides Certainty to Utility Investors and Customers
- Encourages Efficiency
- Transparency of system for the utility, government officials and the consumer
- Tariffs are reviewed for fairness and no discrimination in rates
- Commission supports terms of approved tariff

Benefits of Regulation (con't)

- Assurance of Reliability and Customer Service
- Assurance of Public Input through Local Public Hearing process
- Assurance that public is protected in the event of mergers, acquisitions, take-overs and encumbrances to assets of the system

Appeal Process

- Direct Appeal to Circuit Court
- Second Appeal to Court of Appeals
- Third Appeal to Missouri Supreme Court
- Not preferred method of appeal

The PSC Helps Consumers

- Investigate service and billing disputes
- Investigate, enforce, and monitor utility safety issues



The PSC Helps Consumers

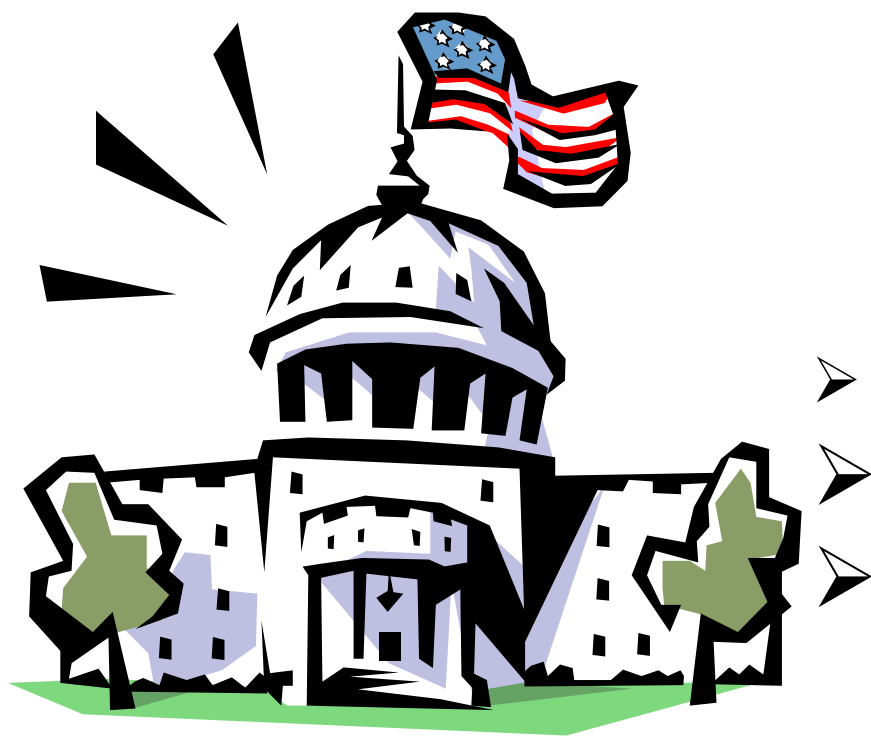
- Consumer Services staff can assist with problems.
- Consumer Hotline: 1-800-392-4211
- Saved or recovered more than \$1 million over last 5 years.



Low Income Customers

- LIHEAP
- Weatherization
- Pilot project for purchasing energy efficient appliances and fixtures
- Ratepayer and company contributions
- Cold weather rule

The PSC: A Valuable Resource



- Missouri utility data
- Missouri utility policy
- National utility data