

MISSOURI PUBLIC SERVICE COMMISSION

2004 ANNUAL REPORT



Commissioners

STEVE GAW
Chair

CONNIE MURRAY

ROBERT M. CLAYTON III

JEFF DAVIS

LINWARD "LIN" APPLING

Missouri Public Service Commission

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ROBERT J. QUINN, JR.
Executive Director

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

December 15, 2004

Dear Governor Holden:

The Public Service Commission stands ready to address evolving issues for consumers and companies in an ever-changing world of utility regulation. In addition to the cases heard by the Public Service Commission, we addressed several major initiatives during the 2004 fiscal year:

- Changed the Cold Weather Rule to include additional protections from service disconnection for registered elderly and disabled customers meeting certain income guidelines and raised the temperature moratorium on utility shut-offs. We also named a task force to focus on possible long-term energy affordability programs and energy efficiency.
- In light of rising wholesale natural gas costs, which are not regulated by the PSC, we continued to seek Congressional help regarding more funding for the federal Low Income Home Energy Assistance Program. The PSC held town hall meetings to address higher home heating bills.
- Developed various telecommunications rules designed to provide greater privacy of consumer information and laying the groundwork to make telephone bills easier to understand.
- Established 2-1-1 toll-free service for accessing community information.
- Studied and reported to the Federal Communications Commission regarding the advent of Voice over Internet Protocol and its impact on the telecommunications industry and consumers.
- Began work on providing a more informal process for complaints filed by residential and small business customers.
- Appointed a task force to make recommendations to allow communities to request expanded calling scopes and changes to metropolitan calling areas.
- Held case efficiency roundtables to study improving processes at the Commission.
- Worked with surrounding states to establish regional state committees to provide state input into the changing world of electricity regulation.

The Missouri Public Service Commission is pleased to submit its annual report for the fiscal year of July 1, 2003 through June 30, 2004.

Respectfully submitted,

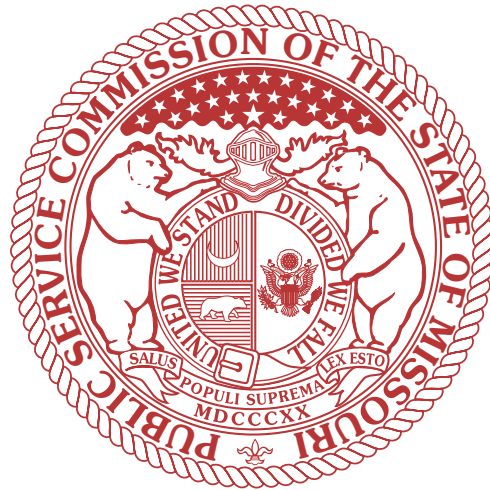

Steve Gaw, Chair

Informed Consumers, Quality Utility Services, and a Dedicated Organization for Missourians in the 21st Century

PSC MISSION STATEMENT

We will:

- ensure that Missourians receive safe and reliable utility services at just, reasonable and affordable rates;
- support economic development through either traditional rate of return regulation or competition, as required by law;
- establish standards so that competition will maintain or improve the quality of services provided to Missourians;
- provide the public the information they need to make educated utility choices;
- provide an efficient regulatory process that is responsive to all parties, and perform our duties ethically and professionally.



MISSOURI PUBLIC SERVICE COMMISSION

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JEFF DAVIS, COMMISSIONER

LINWARD "LIN" APPLING, COMMISSIONER

KELVIN L. SIMMONS, COMMISSIONER

BRYAN FORBIS, COMMISSIONER



Missouri Public Service Commission offices are located in the Governor Office Building, 200 Madison Street, in Jefferson City.

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Key PSC Personnel

Steve Gaw, Chair	751-3243
Connie Murray, Commissioner	751-4132
Robert M. Clayton III, Commissioner	751-4221
Jeff Davis, Commissioner	751-3233
Linward "Lin" Appling, Commissioner	751-0946
Robert Quinn, Executive Director	751-2690
Kevin Kelly, Public Information Administrator	751-9300
Gregg Ochoa, Public Information Coordinator	522-2760

Administration Division

Rhonda Byers, Manager - Human Resources Department	751-7508
Todd Craig, Manager - Information Services Department	526-8153
Dan Redel, Manager - Budget and Fiscal Services Department	751-2457
Gay Fred, Manager - Consumer Services Department	751-3160
Consumer Services Toll-Free Hotline	1-800-392-4211
Rosemarie Riedl, Coordinator - Electronic Filing & Information System	751-7468
EFIS Toll-Free Help Desk	1-866-365-0924

Adjudication Division

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge	751-4256
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General Counsel

Dana K. Joyce, General Counsel	751-2481
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Utility Operations Division

Wess Henderson, Director	751-7435
Dale Johansen, Manager - Water and Sewer Department	751-7074
John Van Eschen, Manager - Telecommunications Department	751-5525
Warren Wood, Manager - Energy Department	751-2978
Ron Pleus, Manager - Manufactured Housing Department	751-7119
Manufactured Housing Toll-Free Hotline	1-800-819-3180

Utility Services Division

Robert Schallenberg, Director	751-7162
Ron Bible, Manager - Financial Analysis Department	751-8517
Joan Wandel, Manager - Auditing Department	751-4785
David Sommerer, Manager - Procurement Analysis Department	751-4356
Lisa Kremer, Manager - Engineering and Management Services Department	751-7441

PSC COMMISSIONERS

STEVE GAW

Chair

Steve Gaw was appointed to the Missouri Public Service Commission in March 2001 by Governor Bob Holden. Following Senate confirmation, Gaw began serving on the Commission on April 2, 2001. On November 3, 2003, Commissioner Gaw was named Chairman by Governor Bob Holden.

Prior to his appointment, Chair Gaw was Speaker of the Missouri House and served as State Representative of the 22nd District representing Randolph County as well as parts of Howard, Chariton, and Boone Counties. Gaw was first elected to the Missouri House in 1992, became Speaker in 1996 and served until 2001.

While House Speaker, Gaw was instrumental in bringing new technology to the chamber, as the Missouri House became the first state legislative body to broadcast its proceedings live over the Internet. As a Legislator and Speaker, Gaw focused on education, public safety, agricultural issues and economic development. His work on education earned him several awards including the prestigious Geyer Award, the Horace Mann Friend of Education for Legislation Award and the Distinguished Legislator Award from the Missouri Community College Association. He also passed stronger sentences for violent felony offenders particularly sex offenders, juvenile justice reform, school safety measures, a “No Call” list for telemarketers, and legislation lowering taxes on Missouri families including the elimination of the general sales tax on groceries.

Gaw graduated summa cum laude in 1978 from Truman State University with a bachelor’s degree in physics and he earned a law degree from the University of Missouri-Columbia in 1981. Gaw has served as the City Prosecutor of Moberly and practiced law with the firm of Schirmer, Suter, & Gaw also in Moberly.

Gaw currently serves as Vice President of the Organization of MISO States (OMS) and sits on the Advisory Committee of MISO. He is a member of the SPP RSC and is also a member of the NARUC Electric Committee.

Chair Gaw and his wife Fannie have a daughter, Skylar.



CONNIE MURRAY

Commissioner

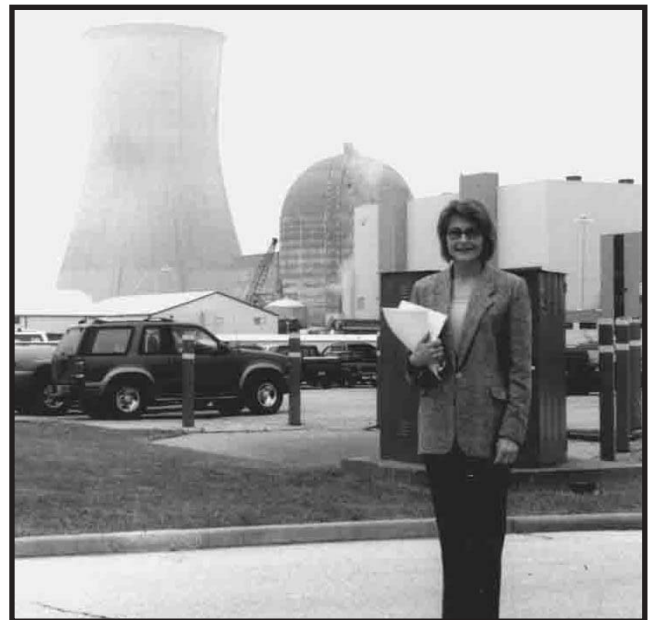
Commissioner Connie Murray was appointed to a second term on the PSC by Governor Bob Holden on April 28, 2003. She was first appointed by Governor Mel Carnahan in May, 1997.

Commissioner Murray served as Representative of the 135th legislative district in the Missouri House of Representatives from 1991 through 1996. She served on several committees, including Budget and Judiciary & Ethics.

Since her appointment to the PSC, Commissioner Murray has participated in a number of state and national utility regulatory organizations. She is active in The Federation for Economically Rational Utility Policy (FERUP), a new national coalition of state regulators that favor a market-oriented approach to advanced communications policy.

She is a 2004 alumna of the academically rigorous Institute of Regulatory Law and Economics held at the Aspen Institute. She is a member of the NARUC Committee on Water and has served on a working group of the National Drinking Water Advisory Council. She serves on the Advisory Council for the Center for Public Utilities, New Mexico State University.

Commissioner Murray attended Temple University in Philadelphia, Pennsylvania, and later earned her Bachelor of Arts degree in English literature from Loyola College in Baltimore, Maryland, where she graduated cum laude in 1975. She earned a juris doctorate in 1980 from the University of Maryland School of Law where she was Notes and Comments Editor of the Law Review.



ROBERT M. CLAYTON III

Commissioner

Commissioner Robert M. Clayton III was appointed by Governor Bob Holden to a six-year term on the Public Service Commission on April 28, 2003. He received Senate confirmation on May 8, 2003.

Prior to his appointment to the PSC, Commissioner Clayton was an attorney in private law practice in Hannibal (Clayton & Curl L.L.C.). Commissioner Clayton formerly served Marion and Shelby County constituents in the Missouri General Assembly as a state representative from the 10th District. He was first elected to the Missouri House in 1994 and served until 2002.

As a state legislator, he chaired the House Ethics Committee, the Joint Committee on Legislative Research and was Vice-Chairman of the Criminal Law Committee. He also served on the following House committees—Appropriations-Transportation, Agriculture and Judiciary. While in the legislature, Clayton served on the Executive Committee of the Council of State Governments and the Southern Legislative Conference.

Commissioner Clayton is an active member of the National Association of Regulatory Utility Commissioners, serving on the Telecommunications Committee and the International Relations Committee. He serves as secretary to the Missouri Universal Service Board.

Commissioner Clayton recently received the UMKC Law Foundation Decade Award for Achievement in his first ten years of work following law school. He also is a past recipient of the President's Award from the Missouri Bar Association and the Kansas City Metropolitan Bar Association and serves as a board member for the Northeast Sheltered Workshop, the Mark Twain Home Foundation, Avenues Domestic Violence Shelter, Affordable Community Education Board and the Kids In Motion Advisory Board.

Clayton received his Bachelor of Arts in History from Southern Methodist University in 1991 and earned his Juris Doctor from the University of Missouri-Kansas City in 1994.

Commissioner Clayton and his wife Erin have two daughters, Olivia and Paige.



JEFF DAVIS

Commissioner

Commissioner Jeff Davis was appointed to the Missouri Public Service Commission on April 30, 2004 and is currently the youngest Public Service Commissioner in the nation. He also serves as a member of the Missouri Universal Service Board and the National Association of the Regulatory Utility Commissioners (NARUC) where he serves on the Gas Committee.

Prior to his appointment to the Commission, Davis served as General Counsel and Chief of Staff for Missouri Senate President Pro Tem Peter Kinder. While in that capacity, Commissioner Davis provided legal counsel to the Committee on Gubernatorial Appointments and the Senate Administration Committee; managed the President Pro Tem's office; and supervised the President Pro Tem's legislative agenda, which included drafting and helping pass several pieces of legislation such as: the Senior Care and Protection Act of 2003; the Dram Shop Act of 2002; the Religious Freedom Restoration Act; and legislation authorizing Missouri's first sales tax holiday.

From July 1998 until December of 2000, Commissioner Davis was Chief of Staff and General Counsel to Senate Minority Floor Leader Steve Ehlmann. Prior to that, he was a law clerk for the Honorable Paul J. Simon, Missouri Court of Appeals, E.D. and was a legal intern in Missouri Attorney General Jay Nixon's Labor Division.

Commissioner Davis graduated cum laude with a bachelor's of science degree in political science from Southeast Missouri State University in 1994 and received his juris doctorate degree from Washington University in 1997. Commissioner Davis was admitted to the Missouri Bar in October 1997 and is a member of the Missouri Bar Association.

Commissioner Davis resides in Jefferson City with his wife Tiffany (Southeast '96) and daughter Micah.



LINWARD “LIN” APPLING

Commissioner

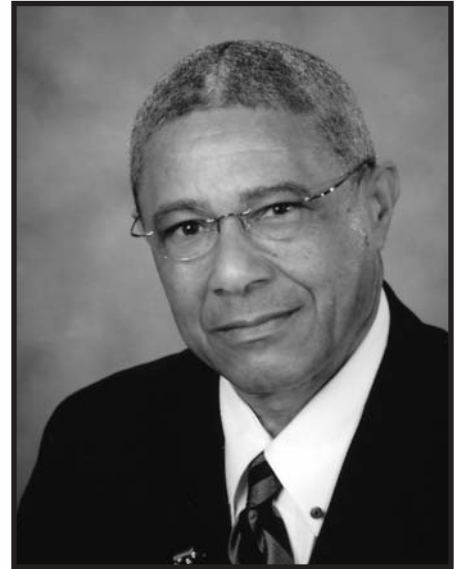
Commissioner Linward “Lin” Appling was appointed by Governor Bob Holden to the Missouri Public Service Commission on April 6, 2004.

Prior to his appointment to the Commission, Appling was the Director of the Division of Facilities Management within the Office of Administration. This division operates, maintains and manages state owned office buildings and various other structures in Jefferson City, St. Louis, St. Joseph, Kansas City and Springfield. The division manages over 450 leases throughout the State of Missouri. The Director is responsible for the supervision of approximately 250 full-time employees with an annual budget in excess of \$70 million.

A veteran of more than 30 years experience in middle and senior levels of government service, Commissioner Appling has held a number of positions in Missouri state government including the following: Assistant Commissioner, Commissioner of Administration to assist in the development of a Human Resource Office and to oversee special projects within the Office of Administration; Executive Deputy Secretary to the Secretary of State Bekki Cook; and Director of Constituent Services for Governor Mel Carnahan. In addition, Commissioner Appling directed a highly successful three-year United States Agency for International Development (AID) Grant located on the Lincoln University campus.

In July 2004, Commissioner Appling was appointed by Governor Bob Holden to serve on the Advisory Committee for 911 Oversight. Commissioner Appling is a retired Army Lieutenant Colonel. While in the military, Commissioner Appling received numerous awards including the U.S. Army Legion of Merit for meritorious service and the Bronze Star for valor in Vietnam. While in the Army, Commissioner Appling received his Bachelor of Arts in Business and Social Science from Coker College in Hartsville, South Carolina and a Master of Arts in Political Science and Public Health Administration from Wichita State University in Wichita, Kansas.

Commissioner Appling has a daughter, Linda, who graduated from Lincoln University in Jefferson City.



KELVIN L. SIMMONS

Commissioner

Governor Mel Carnahan appointed Commissioner Kelvin L. Simmons to the Missouri Public Service Commission on May 5, 2000. On July 9, 2001, Governor Bob Holden named Simmons Chairman of the PSC. Mr. Simmons resigned as Chairman of the Commission effective November 3, 2003. In December 2003, Commissioner Simmons resigned to become Director of the Missouri Department of Economic Development.

Prior to his appointment to the Commission, Mr. Simmons was twice elected to the Kansas City Council. He represented more than 72,000 constituents in Kansas City's 5th Council District. Commissioner Simmons served on the Council from 1997 until his appointment to the PSC. Simmons was senior staff member to Governor Mel Carnahan, serving as the Director of Constituent Services from 1993 to 1996.

Mr. Simmons has two baccalaureate degrees in Communications and Interdisciplinary Studies from University of Missouri-Columbia obtained in 1986 and an Executive Masters in Business Administration from the University of Missouri-Kansas City in 1999. Commissioner Simmons has also studied and engaged in missions of understanding internationally in Sweden, Finland, South Africa, Cuba, Hong Kong and Beijing, China. He has made utility presentations in France and Jamaica.



BRYAN FORBIS

Commissioner

Bryan Forbis was appointed to the PSC on November 1, 2001 by Governor Bob Holden.

Prior to his appointment, Forbis served as deputy director for Institutional Services in the Missouri Division of Aging (now a section in the Missouri Department of Health and Senior Services). In that position, he supervised over 300 employees responsible for monitoring and enforcing state and federal regulations in 1,250 nursing and residential care facilities. From 1995 until 1999, Forbis was special assistant to the director in the Missouri Division of Aging/Department of Social Services. He was a 20-year veteran of state government, having also served in the Department of Natural Resources and the Division of Child Support Enforcement.

Mr. Forbis graduated in 1979 from the University of Missouri-Columbia (UMC) with bachelor degrees in political science and interdisciplinary honors. In 1981, he received a master's degree in political science (public policy) from UMC.

Commissioner Forbis died in a automobile accident on December 27, 2003 near Cabool, Mo.

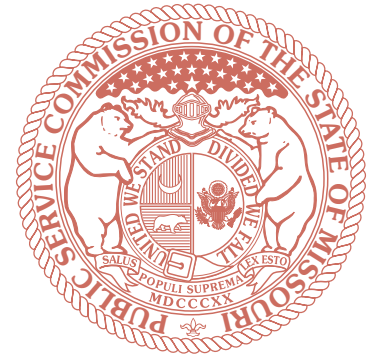


Major Initiatives in 2004

Changes to the Cold Weather Rule

With prices for wholesale natural gas rising, the PSC took steps to help reduce the impact on consumers. Starting in November 2004, the Commission provided a higher level of protection for those customers who need help paying their heat-related utility bills. The new rule includes: 1) a winter disconnect moratorium for registered elderly and disabled who meet certain income guidelines and make a minimum payment and; 2) a change in the temperature moratorium from 30 degrees to 32 degrees for all customers.

In addition, the Commission completed a rulemaking that provides for greater utility information gathering and reporting. Additional rule changes allow the Commission to better monitor and assess the effectiveness of its Cold Weather Rule.



Long-Term Energy Affordability

A Commission task force is examining possible programs to improve long-term energy affordability for persons who need help with their utility bills. Representatives from utility companies and consumer groups, the Missouri Department of Natural Resources, Community Action Agencies, the PSC Staff and the Office of the Public Counsel are studying innovative ways to finance weatherization and energy efficiency measures for homes and buildings, particularly where the overall savings are greater than the amount invested. On December 2, 2004, Task Force Co-Chairman Warren Wood, Manager of the PSC Energy Department, updated the Commission on meetings held and progress made by the task force and presented recommendations and possible legislative proposals in order to receive any guidance the Commission has on these issues and to answer any questions. Final recommendations will be considered by the Commission in early 2005.

Low Income Home Energy Assistance Program (LIHEAP)

With increased natural gas prices and its effect on consumers, particularly low-income households, the Commission has sought the support of federal and state legislators in requesting increased authorizations to the LIHEAP program. As expressed in those letters, Missouri has seen a dramatic increase in the number of households seeking LIHEAP assistance. While natural gas rates have nearly doubled since 2000, the total authorized dollars have remained virtually the same since the program was first established in 1981. Recently, the Commission has been informed that Congress has authorized an increased LIHEAP appropriation of approximately 15.5%. The Commission is now working to see that this increase is made immediately available to address the rising prices in home energy costs.

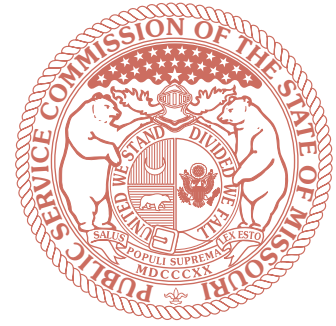
Making Telephone Bills Easier To Understand

Starting in the fall of 2004, new PSC rules require telecommunications companies, when discussing or tariffing calling plans or packages in Missouri, to clearly identify the exact name and rates associated with those plans. These rules are designed to correct misleading tariffs and customer confusion. If a service plan offering contains a specific rate in its title, that is the rate the consumers should expect to be charged if they sign-up for that plan.

Companies must also clearly identify the company name associated with toll-free numbers for billing assistance; disclose detailed information about service offerings in company tariffs; notify customers when they propose rate increases for regulated services; clearly state the amount billed for local service, and whether or not it's part of a service bundle; provide, upon a customer's request and possibly at some cost, various blocking services for unwanted calls; and provide Lifeline and Link-Up service offering information when a customer establishes service.

Major Initiatives in 2004 (Continued)

In addition, the Commission urged the Federal Communications Commission to consider rules within its truth-in-billing regulations that would prohibit carriers from placing monthly surcharges on customer telephone bills that were not authorized or mandated by federal, state or local regulatory action. The Commission is considering a state rule on this subject as well.



Consumer Privacy Protection

In 1996, Senate Bill 507 was enacted resulting in a comprehensive rewrite of the Missouri Telecommunications Law. One expressed purpose of that law was to “protect consumer privacy.” In the past year, the Commission has completed two rulemakings that further the purpose of this statute.

First, the Commission promulgated a new rule related to the protection and release of customer proprietary network information (CPNI) by telecommunications companies (e.g. protecting CPNI). While the PSC is restricted in its ability to protect consumer privacy by federal law, the new rule should eliminate a loophole in federal rules and provide better privacy protection.

Second, the Commission issued a new rule that standardizes the provision of CallerID services. The rule requires all telecommunications carriers to provide emergency per-line blocking of caller number delivery to law enforcement and domestic violence intervention agencies. The rule change resulted from concerns expressed by domestic violence shelter representatives that caller information from shelters was not always blocked. The provision of per-line blocking is designed to protect these agencies and their employees by allowing them to prevent the delivery of their caller numbers on a full-time basis. Additionally, the new rule requires all telecommunications carriers to provide per-call blocking to all other parties. By dialing *67, all parties can prevent their calling numbers from being delivered on a per-call basis.

Full and Fair Telecommunications Competition

Consistent with the policies expressed in Chapter 392 of the Revised Missouri Statutes, the Commission has taken steps to “allow full and fair competition” to exist in Missouri. Specifically, the Commission has implemented rules designed to establish a procedure for the Commission to arbitrate disagreements arising between competing telecommunications carriers. Moreover, the Commission has initiated a rulemaking designed to consider whether carriers should maintain enhanced calling records so that carriers may be properly compensated for the termination of intraLATA traffic.

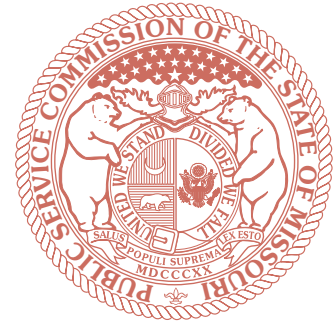
Quality of Service Requirements

In the past year, the Commission became aware that its Quality of Service rules were subject to various interpretations by its telecommunications utilities. As a result, the Commission initiated a comprehensive rulemaking designed to standardize the tracking and reporting of quality of service information by providers of basic local telephone service. This new rule should provide the Commission the opportunity to better monitor telecommunications quality and ensure that ratepayers receive safe and adequate service.

Residential Customer Service Availability

In recent years, the Commission has noticed a large number of customer complaints regarding a utilities’ refusal to commence service. Although the Commission had previously promulgated rules related to disconnection of existing service, no guidance had been provided regarding the circumstances in which a utility could initially refuse

Major Initiatives in 2004 (Continued)



to provide service. In many cases, utility service was denied if a co-resident at the address had prior account indebtedness to the company, even though the applicant did not benefit from the service to that co-resident. Under the new rule, utilities must have credible evidence that the applicant received substantial benefit and use of service from a prior account before the utility denies service to an applicant.

Voice Over Internet Protocol

The Commission launched its study in February of 2004, ahead of a Federal Communications Commission (FCC) inquiry currently under way. One of the central issues to be determined is whether Voice Over Internet Protocol (VoIP) is an information service or a telecommunications service. If it is classified as an information service, bypassing all or part of the switched network, it may be exempt from those revenue-generating policies. As customers substitute VoIP calling for traditional calling, important issues to be examined include the impact on local and state tax revenue; telecommunications services for the deaf; funding for 9-1-1 emergency dispatch services; and intrastate revenues for traditional telephone companies.

During the fiscal year, the PSC Staff facilitated several workshops in order for the Commission to further its knowledge of the subject and to prepare comments on the subject to the FCC.

2-1-1 Service Established in Missouri

The Commission established rules in fiscal year 2004 to implement 2-1-1 calling in Missouri. The FCC previously designated 2-1-1 as a national abbreviated dialing code for community information and referral services. This will provide callers with direct access to organizations capable of making referrals to services such as housing assistance, counseling and hospice services that are not currently available through the 9-1-1 emergency code. It is hoped that 2-1-1 will relieve pressure on 9-1-1 calls allowing better responses to emergencies.

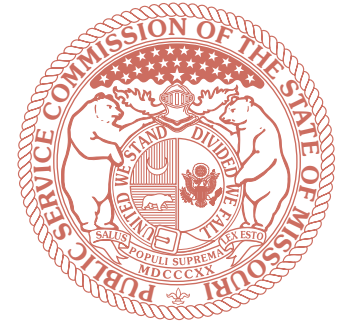
The Commission's rule provides the framework for the 2-1-1 telecommunications service in Missouri and sets out requirements for an organization to be designated as a 2-1-1 provider.

The Commission designated the Heart of America United Way as the first 2-1-1 agency in June 2004. It serves 16 western Missouri counties.

Local Calling Scopes

The Commission has been aware that, as a result of telecommunications exchange boundaries, certain residents could not call a school, law enforcement or other community resources without incurring a toll call. In response to this problem, the Commission named a task force to examine expanded calling in Missouri. The Commission brought customers, industry representatives, elected officials and staff members to the table. Their mission was to evaluate whether existing calling plans were adequately meeting the calling needs of consumers. The task force formally submitted its report to the Commission. The task force determined a demand exists for new toll-free expanded calling plans as well as changes to existing calling plans. In response to this demand the task force recommends the Commission develop a rule to establish a process to consider expanded calling requests in Missouri. Such a process would apply to requests for toll-free calling plans or discounted toll plans within reasonable communities of interest. A community of interest may include, but is not limited to, community calling to medical service providers, educational institutions, governmental or social service offices and commercial trade centers. The Commission is currently drafting and evaluating a rule to consider the feasibility of implementing such a process.

Major Initiatives in 2004 (Continued)



Case Efficiency Roundtable

At the Commission's request the PSC Staff, the Office of the Public Counsel, utility industry officials and utility customers worked in an open, non-adversarial roundtable forum to recommend improvements for the agency's case and non-case processes. The goal is to increase efficiency while still assuring that Commission proceedings are fair and accessible to all.

Recommendations include: procedures for revising Commission rules to consolidate reporting requirements; increasing the efficient handling of applications, fundamental inter- and intra-corporate transactions, complaints, rate cases, major policy issues and finance cases; streamlining formal rate case procedures; and enhancing use of the Commission's small company rate increase process by modifying timelines, rewriting agency rules and preparing "how-to" material for affected companies.

Midwest Independent Transmission System Operator (Midwest ISO or MISO) and Southwest Power Pool (SPP)

The Missouri Public Service Commission has been very involved in the development of regional transmission organizations and the associated regional state commission organizations (Organization of Midwest ISO States and the SPP Regional State Committee) recognized by the Federal Energy Regulatory Commission (FERC). The involvement of Missouri is important in light of the impact that MISO and SPP will have on transmission construction and pricing as well as the development and operation of a wholesale electric market. Currently, a representative of the Missouri Commission sits as the vice-president of the Organization of Midwest ISO States and serves on the Advisory Committee to the Midwest ISO as well as the SPP RSC.

KCPL Generation Capacity Workshop

This collaborative resource planning forum brings together Commissioners, PSC Staff, company officials, the Office of the Public Counsel, the state Department of Natural Resources, the City of Kansas City, various industrial and civic customer groups and individual customers.

Participants are studying KCPL's long-term strategies to address electric supply, pricing, environmental compliance, workforce needs and regulatory strategies.

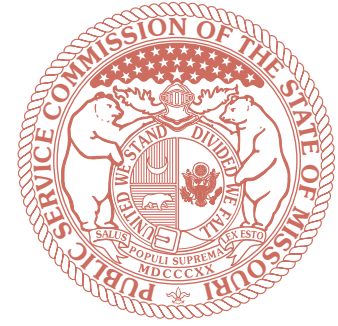
The Commission is attempting to foster innovation and problem solving in open discussions rather than through an adversarial proceeding. It is anticipated that a formal proceeding will eventually need to be established to consider any resolutions reached in the workshop.

Natural Gas Price Stabilization

As a result of work with a special task force, with the public and with customer and industry stakeholders, the Commission now requires regulated natural gas companies to structure their natural gas supply portfolios to mitigate price spikes and provide a level of stability to delivered natural gas prices.

While recognizing that various mechanisms may have risks or benefits in certain circumstances, the Commission's rule includes a broad range of pricing structures and instruments that may be suitable and prudent for each company.

Major Initiatives in 2004 (Continued)



Customer Complaint Process

The Commission recognized that the time, cost and effort implicit in its current procedure made it difficult for a residential or small business customer to present a complaint to the Commission. As a result, many of the complaints of these customers may have gone unaddressed. Recently, the Commission has taken steps to reduce the time, cost and effort associated with a small customer bringing a complaint before the Commission. For instance, the Commission has waived the requirement of pre-filed testimony and has permitted customers to appear before the Commission via telephone conference. The Commission hopes to codify a small customer complaint procedure in an upcoming rulemaking.

Commission Filing Requirements

In the past year, the Commission has completed a comprehensive restructuring of its rules and regulations in order to place all utility filing and reporting requirements in a single chapter. Chapter 3 of Division 240 contains all filing and reporting requirements for electric, gas, telecommunications, water and sewer utilities operating in the state of Missouri. This effort should result in the Commission receiving more complete and timely information. Moreover, this restructuring, coupled with other Commission efforts, should allow utilities to more easily understand their reporting requirements and result in more timely annual reports and assessment payments. The Commission expects to see fewer utilities in non-compliance with Missouri statutes and regulations.

Implementation of New Legislation

In the past year, the Commission has taken steps or promulgated rules designed to implement new legislation including a small company rate procedure for steam heating companies (Section 393.291), a water and gas utility infrastructure system replacement surcharge (Section 393.1000 et seq.), and creation of an independent Commission technical staff (Section 386.135).

Manufactured Housing Changes

Working with the Missouri Manufactured Housing Association and the PSC Staff, the Commission was able to resolve a long-standing consumer protection issue. When homeowners identify material defects in new manufactured homes or modular units, the dealers and manufacturers who are responsible for correcting the problems must do so within a defined period. If this work is not completed during the first visit to the home site, Commission inspectors will re-inspect to verify whether defects are corrected. In the event the Director of the Manufactured Homes and Modular Units Program determines corrective action has not been taken, the Director may file a formal complaint requesting the Commission take disciplinary action.

BUDGET

Fiscal Year 2005

Public Service Commission

Personal Service	\$ 9,857,490
Expense and Equipment	3,736,614
Program Specific Distribution (PSD)	10,000*
Total	<u>\$ 13,604,104</u>

Full-Time Employees (F.T.E.)	211
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Deaf Relay Service and Equipment Distribution Program

\$ 5,000,000

F.T.E.	0
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Manufactured Housing Dept.

Personal Service	\$ 336,236
Expense and Equipment	187,496
PSD	17,935*
Total	<u>\$ 541,667</u>

F.T.E.	9
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TOTAL BUDGET

\$ 19,145,771

F.T.E.

220

Budget includes program specific distributions.

* estimated appropriation

Organizational Functions

Executive Director

Robert Quinn, Executive Director/Acting Administration Division Director



The Executive Director has such authority as the Commissioners may, from time to time, delegate. The Public Information and Education Department, housed within the executive division, develops and distributes press and consumer information on current PSC activities, develops educational materials, maintains the PSC Reports, and deals with media requests. The Legislative Liaison, also part of the division, is the agency's primary contact person with the General Assembly.

Administration Division

The Administration Division is responsible for managing the Commission's human, fiscal and information resources. The division has agency-wide responsibilities for the annual budget, strategic planning, fiscal services and procurement, human resources, payroll, information and technology services and training. The Consumer Services Department, housed within the division, is the clearinghouse for all utility consumer inquiries, and investigates and responds to complaints to ensure compliance with Commission rules and utility tariffs. When a consumer has an issue that is not satisfactorily resolved after an initial contact with the utility, the consumer may call the PSC consumer hotline 1-800-392-4211 for assistance.

Adjudication Division

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge



The Adjudication Division is the PSC's quasi-judicial division. A staff of eight regulatory law judges handle the cases from the day the case is filed until the day it is finally resolved. New cases go to the Chief Judge who assigns them to himself or to one of the other seven judges. Thereafter, the assigned Judge presides over the hearings, rules on objections and motions, and drafts all orders, as directed by the Commission, for that particular case. The Adjudication Division's Data Center performs the functions of a clerk of the court in that the Data Center receives all incoming pleadings and issues all Commission orders. In addition, the Data Center stores and preserves the official case files, tariffs and other official documents of the Commission.

General Counsel

Dana K. Joyce, General Counsel



The Office of General Counsel represents the Commission and its Staff in all matters relating to regulation of Missouri investor-owned gas, electric, telecommunications, water and sewer utilities and manufactured housing. Its primary duties consist of assisting and advising agency staff in preparation and filing of evidence in legal proceedings, and preparing and presenting legal arguments in appearances before the Commission and state and federal courts and administrative tribunals. The Office provides legal defense of all Commission orders and decisions, as well as legal advice, upon request, to the Commission and each Commissioner. As directed or authorized by the Commission, the Office intervenes in utility-related civil proceedings and prosecutes civil enforcement actions against utilities on behalf of the state, representing the Commission in legal actions pursuant to PSC statutes or other laws, including proceedings before the Federal Energy Regulatory Commission and the Federal Communications Commission.

Utility Operations Division

Wess Henderson, Director



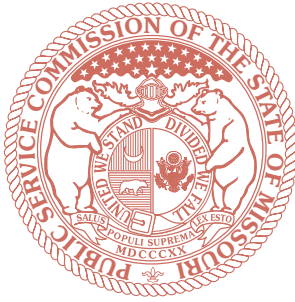
The Utility Operations Division is comprised of four departments: Telecommunications; Energy; Water and Sewer; and Manufactured Housing. It supports the Commission in meeting its statutory responsibilities by providing technical expertise in energy safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. The Manufactured Housing Department is governed by Sections 700.010-700.115 of the Revised Statutes of Missouri. The department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units; prescribing and enforcing uniform construction standards by conducting code inspections; and enforcing tie-down requirements. The division accomplishes its mission by making recommendations to the Commission in the form of expert testimony and formal recommendations.

Utility Services Division

Robert Schallenberg, Director



The Utility Services Division consists of five departments that support the Commission by providing expertise in the areas of utility accounting, auditing, engineering, finance, management, and natural gas procurement. Division members perform audits, examinations, analysis, and/or reviews of the books and records of the utilities providing service in Missouri. These employees express their conclusions and findings in the form of expert testimony and recommendations filed with the Commission. The division is also responsible for investigating and responding to consumer complaints and making recommendations to the Commission regarding their resolution.



Mission

The Missouri Public Service Commission (PSC) regulates investor-owned public utilities operating in Missouri. The PSC has the statutory responsibility for ensuring that customers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the companies' shareholders with the opportunity to earn a reasonable return on their investment. The PSC must balance a variety of often competing private interests to ensure the overall public interest.

Jurisdiction and Goals

The Missouri Public Service Commission was created in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. Today, the PSC regulates over 1,000 investor-owned electric, natural gas, telephone, and water and sewer utilities. In addition, the PSC regulates the state's 46 rural electric cooperatives and 42 municipally-owned natural gas utilities for operational safety. The PSC also regulates the manufacturers and dealers of manufactured homes and modular units.

The PSC also oversees service territory issues involving investor-owned electric utilities, rural electric cooperatives and municipally-owned electric utilities as well as investor-owned water and sewer utilities and public water supply districts. Under federal law, the PSC acts as a mediator and arbitrator of local telephone service disputes regarding interconnection agreements.

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Utility services and infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the PSC must assure the ratepaying public that quality services



PSC Commissioners meet twice weekly in agenda sessions--open to the public--to discuss, consider evidence and vote on pending utility cases.

will be available on a nondiscriminatory basis at just and reasonable rates.

Commissioners

The PSC consists of five commissioners who are appointed by the Governor with the advice and consent of the Missouri Senate. The Governor designates one member as the Chair who serves in that capacity at the pleasure of the Governor.

Commissioners are appointed to six-year terms. These terms are staggered so that no more than two terms expire in any given year.

The PSC is both quasi-judicial and quasi-legislative. The PSC is responsible for deciding cases brought before it and for the promulgation of administrative rules and their enforcement. Many of the PSC's duties are performed by conducting hearings in contested cases, which by statute must be transcribed by a court reporter. Hearings are conducted in a trial-like setting using evidentiary standards under the

Missouri Administrative Procedures Act. The PSC must render decisions in a timely manner to afford all parties procedural and substantive due process, and comply with statutory time limits.

The PSC Staff

The Commission is assisted by a staff of professionals in the fields of accounting, consumer affairs, economics, engineering, finance, law and management. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The Staff participates as a party in all cases before the PSC. It conducts audits of the books and records of utilities and makes recommendations to the PSC as to what type of rate increase, if any, should be granted. PSC Staff recommendations, like those filed by other parties to a proceeding, are evaluated by the Commissioners in reaching a decision in a complaint case or rate case. The PSC has established standards for safety and quality of service to which companies must adhere. Routine and special investigations of utilities are conducted by the PSC Staff to ensure compliance.

Legislation

In 2004, the General Assembly enacted and the Governor signed new legislation relating to manufactured housing. SCS/SB 1096 allows the Commission to comply with provisions in Title VI of P.L. 106-569, the American Homeownership and Economic Opportunity Act of 2000.

The bill requires the Commission to license manufactured home installers, inspect home installations, adopt installation standards and administer a process to resolve disputes arising among installers, dealers and manufacturers. It provides for penalties

and authorizes fees and rulemaking. It *does not* apply to modular units. States must comply with this federal mandate by December 27, 2005.

The Governor also signed SCS/SB 878, relating to natural gas aggregation tariffs. Sec. 393.310, RSMo requires Commission-regulated natural gas companies to implement tariffs that allow public and private school districts to aggregate their natural gas purchases through third parties.

This was enacted as an experimental approach in 2002. The new act extends the effective date of the section for two years from June 30, 2005 to June 30, 2007. Tariffs in effect as of August 28, 2004 also shall extend until June 30, 2007. (Identical provisions were enacted in CCS/HS/HCS/SS/SCS/SB 968 & SCS/SB 969, relating to education.)

EFIS System Receives National Recognition

The Public Service Commission's Electronic Filing and Information System (EFIS) received two awards in 2004.

In March 2004, the Workflow Management Coalition and Workflow and Reengineering International Association honored the Commission with its North America Gold Award for innovation and excellence in workflow implementations. This award recognizes organizations that have excelled in the implementation of innovative solutions to meet strategic business objectives.

In September 2004, the Commission received the Digital Government-Government to Business Award from the National Association of State Chief Information Officers (NASCIO). This award recognizes the Commission's efforts to foster innovative, timesaving, cost-effective transactions between government and business.

Public Information and Education Department

The Public Information and Education Department provides educational materials to consumers and information on utility regulation to members of the news media.

As part of its function, the Public Information and Education Department issues press releases on Commission decisions and provides detailed information sheets that are used at local public hearings conducted throughout Missouri.

During the past fiscal year, the Public Information and Education Department expanded its catalog of consumer fact sheets designed to provide information to ratepayers. The department began its third year of publishing a quarterly newsletter that provides utility-related information pieces for consumers.

The department also worked with the Information Services staff to redesign the PSC website to make information easier to access. An “i” icon was added to the PSC website. This provides quick links to consumer-related information. The department provides key support during local public hearings by facilitating an open question-and-answer session prior to the actual local public hearing to give consumers the opportunity to ask questions about a rate case before the Commission.



As part of the local public hearing process, the Public Information and Education Department facilitates a question and answer session. Photo courtesy of the Mexico Ledger.

The Public Information and Education Department also operates a list service, which allows the media and consumers to get press releases and other consumer information electronically as soon as they are issued.

Each year, the Public Information and Education Department coordinates the Public Service Commission booth at the Missouri State Fair in Sedalia. The booth gives consumers from across the state an opportunity to speak one-on-one with PSC Staff about any utility questions and/or problems.

As part of its public awareness program, the Public Information and Education Department visits local schools, talking to students about how to be safe around electricity.

Practice Before the Commission

The Adjudication Division is comprised of the Data Center and the Regulatory Law Judges. The Division Director is both the Secretary of the PSC and the Chief Judge. The Secretary is statutorily responsible for the records of the PSC and is specifically called upon to superintend the issuance of all PSC orders.

The Data Center is responsible for maintaining a complete and accurate record of every case which comes before the PSC. This department receives thousands of documents per month, each one of which must be reviewed, distributed and maintained in the permanent case file. The Data Center also issues hundreds of formal orders each month.

The Chief Judge is the Division Director of the Adjudication Division and acts as the Chief Judge of the eight-judge panel. The Judges receive training at the National Judicial College for procedural skills specific to the PSC and also at various utility seminars and conferences for substantive training in the disciplines of economics, accounting and engineering as they relate to the regulated utilities. The Chief Judge assigns newly filed cases to the other Judges on a rotational basis and, thereafter, the individual judge is responsible for supervising that particular case and coordinating the procedures with the Commissioners.

The Judge prepares and issues preliminary orders to provide notice and procedural due process so that all parties have the opportunity for a full, fair and impartial hearing. The primary concern for the Judge is to ensure a complete and competent record is compiled upon which the PSC may base its decision. It is the duty of the Judge to take the case from initial assignment all the way through to the post-hearing briefs and preparation of a final order reflecting the Commission's findings of fact and conclusions of law.

The Rate Making Process

Before a regulated electric or natural gas utility can change a rate or service, it must first file that request with the Missouri Public Service Commission.

For telecommunications providers, recent state and federal laws have had an impact on how they are regulated. The largest basic local telephone company providers in Missouri are under price cap regulation



The Judges meet each week to discuss the docket and to ensure consistent treatment and prompt resolution of all cases pending before the Commission.

meaning they do not have to file a traditional rate case with the Commission to adjust rates either up or down. Special rules apply for water and sewer companies with less than 8,000 customers in Missouri. They can pursue changes in rates without the necessity of filing a formal rate case (through an informal rate case procedure). Water and sewer companies with over 8,000 customers are subject to filing a traditional rate case. Under the traditional (formal) rate case filing, the company must provide a clear statement of what it is requesting, the effect the proposed change will have on company revenue, and the reasons for the change. The PSC does not regulate the rates of municipal electric, gas, or water and sewer systems, rural electric cooperatives, public water supply districts or public sewer districts, wireless telephones or cable television.

Procedural Schedule

When a regulated Missouri utility files for a rate increase, the Commission will set a procedural schedule, including hearing dates, for the case. By law, the Commission has 11 months from the date the case is filed to make a decision on the proposal.

Because the issues are complex, the Commission will suspend the proposed rates to allow for a thorough investigation. Existing rates remain in effect during the suspension period.

Typically, the Commission determines that the proposal is justified only in part, and it may allow the

company to increase rates less than the utility requested. The Commission may also allow a rate change to take effect on an interim basis, subject to refund. The Commission also hears rate decrease cases where it may consider lowering rates.

Prior to any hearings, the PSC Staff will conduct an independent on-site, thorough investigation into the company's books and records. This permits the Staff to provide the Commission with a recommendation in the case.

Other parties, such as the Office of Public Counsel, consumer groups, or industrial customers may also submit recommendations as to what type of rate change, if any, should be granted. Parties in a rate case meet in a pre-hearing conference to discuss issues in the case. This procedure may help parties reach agreements which settle all or some issues.

This frequently results in cases being concluded sooner than the 11-month time period provided by law. The Commission must approve any proposed settlement to ensure that the agreement is reasonable and in the public interest.

The Hearing Process

Formal evidentiary hearings are held for which testimony is prepared, exhibits are marked, and a court reporter records all proceedings and live testimony. Testimony must address the issues in the case.

The utility company will have an attorney and expert witnesses present to testify and answer questions. In most cases, the utility, the PSC Staff, Public Counsel and any intervenors will present testimony in writing, followed by cross-examination.

In some cases, the Commission will hold a local public hearing, giving customers an opportunity to

express their opinions. Local public hearings are generally held in communities affected by the proposal.

After the hearings are complete, a transcript of the case is prepared and parties file briefs. Commissioners review that record in making their decision.

The Decision

The Commission will only authorize rate increases that are fair and reasonable. The company must be allowed the opportunity to make enough money to meet reasonable expenses, pay interest on debts, and provide a reasonable return to stockholders.

Once a decision has been reached, the Commission will announce that decision through a written report and order. That order is subject to appeal to a court by any of the participants in the case, except the Public Service Commission Staff.

Mediation Process

The Adjudication Division has developed a mediation process whereby parties may refer complaint cases to a third-party neutral mediator. This service is offered, at no cost, by the Alternative Dispute Resolution Center at the University of Missouri-Columbia School of Law.

The mediation process is voluntary, and cases are resolved when both parties come to a mutual agreement. This process does not require legal counsel and should be less expensive, less adversarial, less formal, less time-consuming and more personal than a formal evidentiary hearing before the full PSC.

Mediations are confidential, and settlement offers as well as other disclosures made during a mediation session are not admissible at a later hearing or trial.

Utility Issues

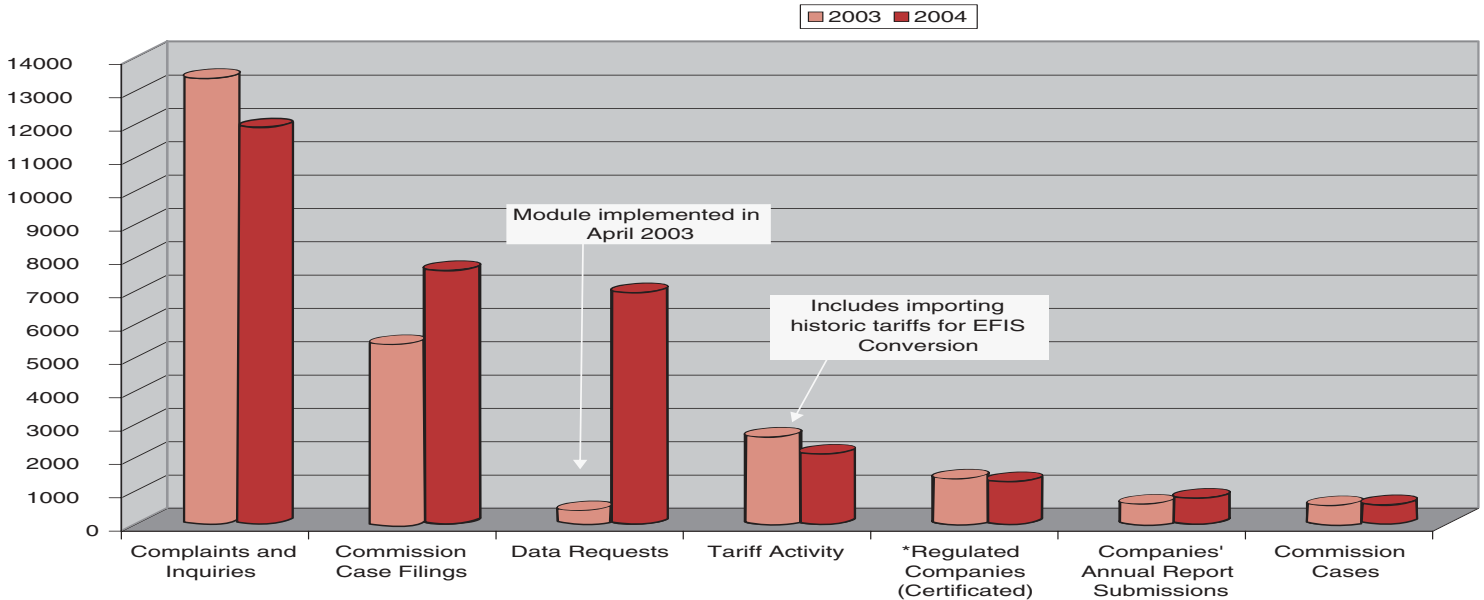
Change continues to occur in utility industries, and with that change, the workload of the Missouri Public Service Commission grows as the PSC evaluates and implements these changes.

New state and federal legislation as well as federal agency activity and the changing regulatory environment have required, and will continue to require, a large commitment of resources in order for the PSC to stay current on developments and to influence state and national policy to the benefit of Missouri ratepayers.

Missouri PSC Authorized Number of Employees vs. Workload (2003-2004)

FY2003 Staffing = 220 FTE

FY2004 Staffing = 217 FTE



*Not all certificated companies are required to file annual reports.

ELECTRIC

AmerenUE Rate Reduction

In April 2004, AmerenUE electric customers saw their electric bills drop again under the third year of an agreement reached in a PSC Staff complaint case in 2002. Effective April 1, 2004, AmerenUE’s annual electric revenues dropped by \$30 million.

Under an agreement approved by the Commission on July 25, 2002, AmerenUE reduced electric rates in April of 2002, 2003 and 2004. The electric rate reduction in April of 2002 reduced AmerenUE’s annual revenues approximately \$50 million. The April 2002 reduction was followed by a one-time bill credit of approximately \$40 million, which customers saw in their fall 2002 electric bills. The agreement also implemented a rate moratorium through June 30, 2006. Unless there is a significant or unusual event

that has a major impact on AmerenUE, the company will not file for a rate increase and parties will not file for a rate decrease before January 1, 2006.

The agreement also provides for AmerenUE shareholder funding, over a four-year period, of various customer-assistance programs such as “Dollar More Clean Slate”, “Dollar More”, a new low-income weatherization program and creation of a residential and commercial energy efficiency fund.

In addition, AmerenUE agreed to commit to undertake commercially reasonable efforts to make energy infrastructure investments totaling \$2.25 billion to \$2.75 billion from January 2002 through 2006. This investment will include additional generating capacity as well as transmission system upgrades.

Missouri Electric Rates

Electric rates for Missouri's residential, commercial and industrial customers continue to be among the lowest in the nation. Through the efforts of the Missouri Public Service Commission, Missouri's electric utilities and various parties that have participated in proceedings before the Commission, all classes of Missouri customers have benefited from low electric rates while receiving safe and reliable service.

The United States Energy Information Administration, a non-partisan office in the federal Department of Energy, annually ranks states according to their average rates in cents per kilowatt-hour. In 2003, Missouri electric rates for residential, commercial and industrial customers were better than the national average (please see tables on this page).

Low-Income Customers Benefit from Collaboratives

The PSC Staff, the Department of Natural Resources and other parties have formed collaboratives with The Empire District Electric Company and Aquila to initiate various low-income weatherization programs as part of the agreements reached in the rate cases before the Commission in 2003. Through these programs, community action agencies will be able to weatherize a significantly greater number of homes than would be possible without the programs.

AmerenUE Joins Regional Transmission Organization

AmerenUE became the first Missouri electric utility to join a Regional Transmission Organization (RTO) when the Commission approved an agreement authorizing AmerenUE to participate in the Midwest Independent System Operator (MISO) through a contractual agreement with GridAmerica, LLC. The MISO is one of several RTOs authorized in recent years under Federal Energy Regulatory Commission (FERC) policy. In general, RTOs are intended to manage the day-to-day and long-term operations of the transmission systems of a group of electric utilities covering a large area and number of electric consumers.

The Commission's approval is for a five-year period. After a period of approximately three-and-a-half years, the Commission will automatically be entitled to examine

RESIDENTIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	15.63	1
New York	13.58	2
California	12.90	3
U.S. Average	8.46	
Illinois	8.39	16
Iowa	8.35	17
Kansas	7.67	29
Arkansas	7.25	35
Missouri	7.06	40
Nebraska	6.73	44
Oklahoma	6.73	45
Tennessee	6.41	47
West Virginia	6.23	50
Kentucky	6.65	51

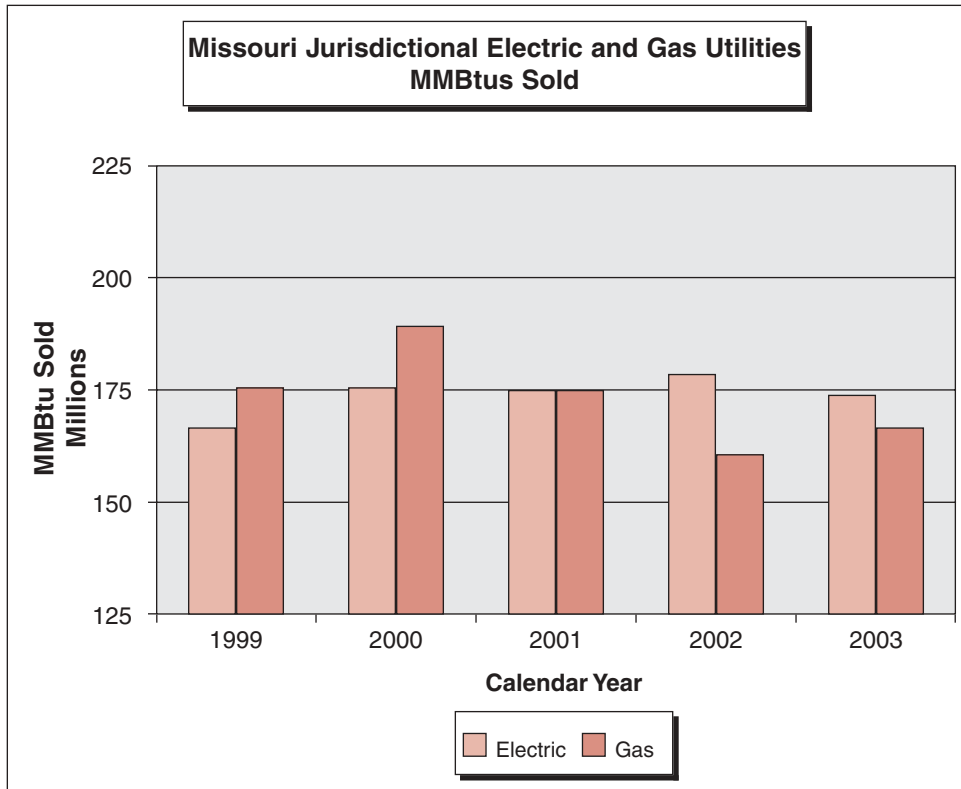
COMMERCIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	14.11	1
California	13.22	2
New York	12.46	3
U.S. Average	7.86	
Illinois	7.49	15
Iowa	6.56	27
Tennessee	6.45	33
Kansas	6.28	34
Missouri	5.88	39
Oklahoma	5.75	43
Arkansas	5.68	46
Nebraska	5.62	48
Utah	5.60	49
West Virginia	5.41	50
Kentucky	5.30	51

INDUSTRIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Maine	11.24	1
Hawaii	11.02	2
California	10.83	3
Illinois	5.01	16
U.S. Average	4.88	
Kansas	4.53	26
Missouri	4.42	30
Tennessee	4.15	35
Iowa	4.06	37
Arkansas	4.01	38
Nebraska	3.89	42
Oklahoma	3.81	47
Wyoming	3.55	50
Kentucky	3.09	51

Source: US Energy Information Administration - 2003 data



paid to purchase St. Joseph Light & Power. The acquisition premium was estimated at \$92 million.

The acquisition premium issue was remanded to the Public Service Commission by the Missouri Supreme Court in October 2003. The Missouri Supreme Court found that the Commission’s original December 14, 2004 order authorizing the merger was lawful, but not reasonable, because the Commission did not decide whether the inclusion of the acquisition premium in the Commission’s cost analysis of the merger would make it detrimental to the public.

the benefits and costs of AmerenUE’s RTO affiliation and participation in MISO beyond the five-year termination date.

As part of its order, the Commission reaffirmed its December 14, 2000 order which authorized the merger of St. Joseph Light & Power and UtiliCorp.

PSC Denies Aquila Request to Pledge Missouri Regulated Assets

The Commission denied Aquila’s request to assign, transfer, pledge, mortgage or encumber its Missouri utility assets to secure debt. The Commission determined that to approve the application would be detrimental to the public interest. The detriment to the public interest, the Commission determined, is the unreasonable risk of harm to Missouri ratepayers compared to the minimal benefit Aquila would receive.

Aquila asked the Commission to allow it to pledge its Missouri regulated assets to support a \$430 million, three-year Term Loan, and a \$100 million, 364-day Term Loan.

UtiliCorp United Recovery of Merger Acquisition Premium Denied

The Commission denied UtiliCorp United’s request to recover from St. Joseph Light & Power customers, through its rates, the acquisition premium it

Aquila Rate Case

Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P filed on July 3, 2003, for a rate increase of approximately \$65 million a year for its Aquila Networks – MPS customers and \$14.6 million for its Aquila Networks – L&P customers. Aquila also requested a rate increase of \$1.34 million a year for its steam customers.

Negotiations between the parties in this case resulted in an agreement that was submitted to the Commission. The Commission approved the agreement in April of 2004 increasing permanent rates by approximately \$14.5 million a year for customers of Aquila Networks – MPS and \$3.25 million a year for customers of Aquila Networks – L&P. The rates of the steam customers were raised by \$1.3 million.

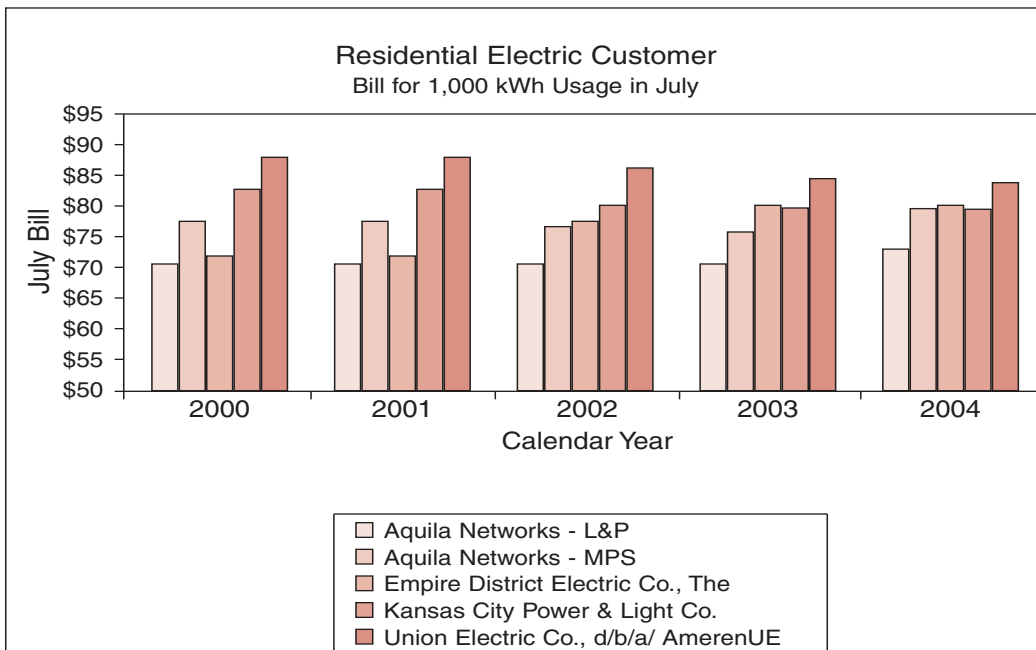
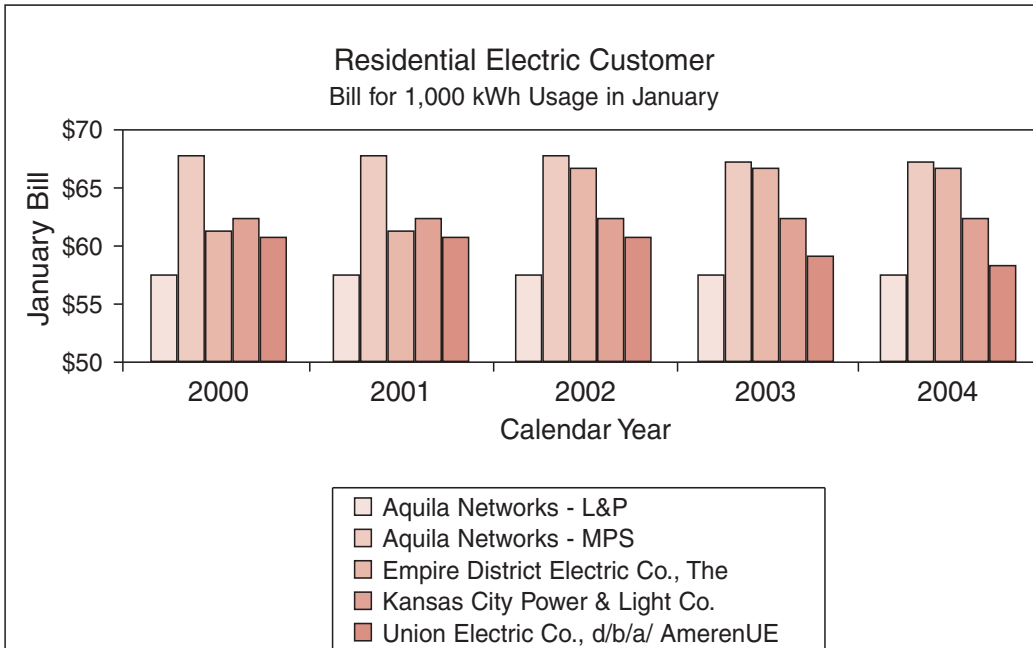
The agreement also includes an interim energy charge that generally reflects Aquila’s fuel and purchase power costs. This charge is subject to refund

Federal Activity in Electricity

AmerenUE’s application to participate in the Midwest ISO Regional Transmission Organization (RTO) was approved by the Missouri Public Service Commission for an interim period of five years. Aquila Networks, Inc. has an application to join the Midwest ISO pending before the Commission. The Southwest Power Pool (SPP) application to also become an RTO was conditionally approved by the FERC, and it appears likely that Kansas City Power and Light and Empire District Electric Company will apply with the Commission to participate in the SPP RTO. If these applications are approved, issues regarding “seams” between these two RTOs will be important to Missouri. The Midwest ISO includes areas in the upper Midwest, as far west as Wyoming, to as far east as eastern Ohio. The

SPP region includes Oklahoma, Kansas, western Missouri, and portions of Texas, New Mexico, Arkansas and Louisiana.

The FERC more fully delineated the role of state regulatory commissions in what it calls Regional State Committees (RSCs) in its order conditionally approving the SPP RTO. In general, RSCs are formations of



with interest based upon Aquila’s prudently incurred fuel and purchased power costs over a two-year period.

The agreement also included one-time funding to conduct tall tower wind assessments, annual funding that could be used for a low-income weatherization program, and a 13-month rate moratorium.

state regulatory commissions that will deal with policy issues at every level.

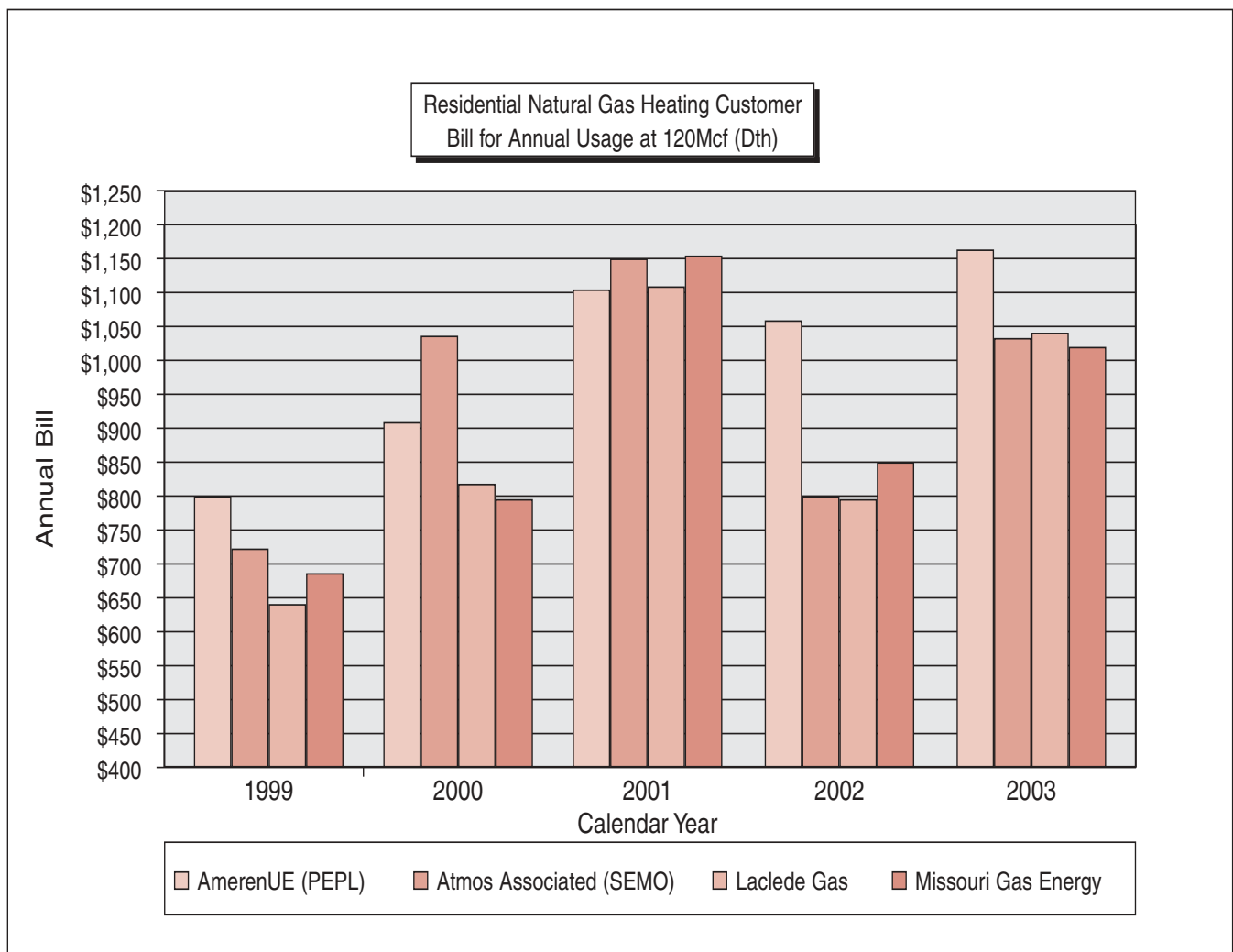
In the SPP RTO Order, the FERC gave specific guidance as to where it would give deference to the SPP RSC on certain issues. The primary issue that the SPP RSC dealt with in this past year is on the funding and allocation of costs for transmission upgrades. Prior to the FERC SPP RTO Order, the Organization of Midwest ISO States (OMS) was formed as the RSC for the Midwest ISO.

Missouri Commission Chair Steve Gaw served as Vice President of the OMS and is on the Board of Directors of both the SPP RSC and the OMS.

The Commission’s Chief Regulatory Economist, Mike Proctor, continued in his role as chairman of the OMS working group with oversight for the allocation of Financial Transmission Rights, the Midwest ISO’s proposed method for hedging against congestion costs

associated with its market-based congestion management system. This new market system was delayed from start-up last year and is scheduled for initial operations on March 1, 2005. In addition, Dr. Proctor chairs the SPP RSC’s Cost Allocation Working Group with the task of developing a proposal for funding and allocation of costs for transmission upgrades that the SPP state commissions can jointly recommend to the SPP Board.

The Commission’s Manager of Economic Analysis, James Watkins, is serving on the SPP Cost Benefit Task Force which is working with consultants approved by the SPP RSC to complete an initial cost/benefit study of the SPP region. The results of this study will be available for SPP states in making a determination regarding whether or not to approve applications for utilities to join the SPP RTO.



NATURAL GAS

Cold Weather Rule and Long Term Energy Affordability Task Force

On March 3, 2004, the Commission created a task force to examine the adequacy of the Commission's Cold Weather Rule (4 CSR 240-13.055) and to recommend changes to this rule to the Commission with sufficient time so that they could be implemented by November 1, 2004.

This task force held public meetings requesting input from the public on the existing Cold Weather Rule and to hear any thoughts on how the rule should be modified. As a result of extensive discussions between the task force members over the summer, an amendment to the Cold Weather Rule was submitted to the Commission for approval. The changes recommended by the task force as well as a number of other significant changes to the Cold Weather Rule were approved by the Commission on August 13, 2004. These changes to the Cold Weather Rule will go into effect before the 2004 heating season.

Changes included raising the temperature moratorium from 30 degrees to 32 degrees and establishing additional protections for elderly and disabled customers who meet certain income guidelines and who are registered with the utility company.

This task force was also created to examine long-term energy affordability in the state and make recommendations to the Commission for programs that could assist in helping customers who are currently struggling to afford their energy bills. This task force is currently meeting and deliberating through a large list of possible programs to assist customers. The recommendations of this group will likely include affordability programs, energy efficiency, energy education and weatherization as well as a number of other programs that are currently being considered.

Consumer Alert Regarding Natural Gas Prices

In August and September 2003, the Commission held a number of local town hall meetings designed to address: the severity and possibility of higher natural gas prices for the 2003-2004 winter heating season; to provide information on weatherization and energy

saving tips; and to give out information on the Low Income Home Energy Assistance Program (LIHEAP) and various energy assistance funding programs.

The Commission held its first town hall meeting in Hannibal on August 18, 2003. This was the first of 16 town hall meetings held throughout the state.

With another expected increase in natural gas prices for the 2004-2005 winter heating season, the Commission continues its education efforts. Those include natural gas price updates to the media and educational materials on budget billing, the Cold Weather Rule and energy saving tips.

Natural Gas Price Volatility Mitigation Rule

As a result of the policy statement and recommendations of the Missouri Public Service Commission's Natural Gas Commodity Price Task Force, the Commission opened a rulemaking docket (Case No. GX-2002-0478). Rule 4 CSR 240-40.018 was developed through collaborative discussions with the regulated natural gas utilities in the state and other interested parties. This rule, which took effect on December 30, 2003, represents a statement of Commission policy that natural gas local distribution companies should undertake diversified natural gas purchasing activities as part of a prudent effort to mitigate upward natural gas price volatility and secure adequate natural gas supplies for their customers. The rule specifically notes that natural gas utilities should consider the use of natural gas storage, fixed price contracts, call options, collars, outsourcing/agency agreements, future contracts, financial swaps, options from over-the-counter markets and other tools utilized in the market for cost-effective management of price and/or usage volatility to balance market risks, benefits and price stability.

Energy Roundtable

On November 3, 2003, the PSC Staff held a roundtable on Missouri's Electric Generation and Transmission Infrastructure and Ratemaking Predetermination Issues. This roundtable was held in response to several different parties' interest in discussing statewide demand for electricity and the current and planned generation resources to meet that demand.

This roundtable also included presentations from different parties on ratemaking predetermination since this topic had been a contentious issue in the previous legislative session and was anticipated to be an issue in the upcoming legislative session. The presentations from this roundtable are currently posted on our internet site under electric / publications.

AmerenUE’s Rate Case

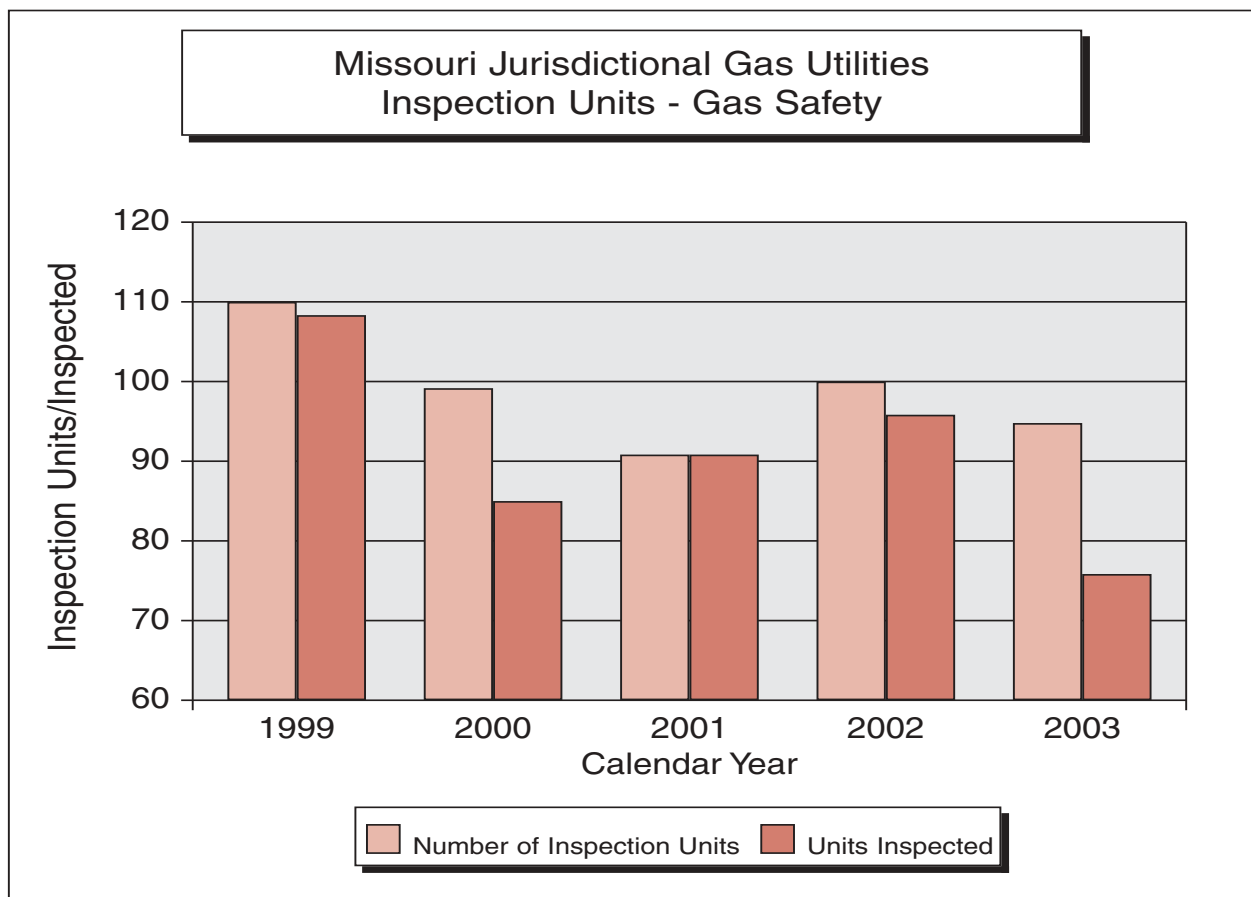
On May 23, 2003, AmerenUE filed a rate case with the Commission seeking to increase natural gas revenues by approximately \$26.7 million a year. Negotiations between the parties in this case resulted in an agreement which the Commission approved on January 13, 2004. The agreement called for an increase of approximately \$13 million in annual natural gas revenues and it included annual funding of \$100,000 for an experimental weatherization/low-income program.

Aquila Networks Inc. Rate Cases

On August 1, 2003, Aquila Networks, Inc. (Aquila) filed a natural gas rate case with the Commission seeking to increase annual revenues by approximately \$5.6 million in its Missouri Public Service (MPS) district and by approximately \$800,000 in its St. Joseph Light & Power (SJLP) district. Negotiations between parties in this case resulted in an agreement, ultimately approved by the Commission, increasing annual natural gas revenues by approximately \$2.6 million for the MPS district and by \$800,000 for the SJLP district. The agreement included annual funding of approximately \$135,000 for an experimental weatherization/low-income program in the Sedalia area.

AmerenUE Purchase of Aquila Networks Eastern District Gas Distribution System

On December 3, 2003, AmerenUE and Aquila, Inc. filed an application for authority to transfer Aquila’s Eastern District, which provides natural gas



service to customers in and around Rolla, Salem and Owensville, Missouri from Aquila, Inc. to AmerenUE. As a result of negotiations between the parties, an agreement was submitted to the Commission on March 30, 2004. After reviewing all recommendations and documents filed in the case including the agreement between the parties, the Commission approved the sale on April 27, 2004. After Commission approval, Aquila, Inc. officially transferred the Eastern District over to AmerenUE on May 1, 2004.

Infrastructure System Replacement Surcharges

The Commission implemented a rule on May 30, 2004, establishing the definitions, parameters and procedures relevant to the filing and processing of petitions for an Infrastructure System Replacement Surcharge (ISRS), including the information that a Local Distribution Company (LDC) must provide when it files a petition to establish, change or reconcile an ISRS.

This rule was necessitated by the enactment of House Bill 208 by the 92nd General Assembly. The Governor signed the legislation on July 16, 2003, making it effective August 28, 2003. The Commission must fulfill its statutory duties within the 120-day timeframe set out in the law. Implementation of this rule helps the Commission in administering the enacted statute. LDCs may file for an ISRS which would allow them to establish a surcharge to provide for the recovery of costs for eligible infrastructure replacements; provided that the ISRS, on an annualized basis, must produce ISRS revenues of at least the lesser of one-half of one percent of the LDCs base revenue level approved by the Commission in the LDCs most recent general rate case proceeding or one million dollars, but not in excess of ten percent of the LDCs base revenue level approved by the Commission in its last general rate proceeding.

Missouri Gas Energy (MGE) implemented its first ISRS on April 1, 2004. The Commission approved MGE's ISRS after reviewing the Staff's recommendation and other documents filed in the case including an agreement between the parties. The Commission approved the agreement on March 7, 2004.



Laclede Gas Company implemented its first ISRS on June 10, 2004. The Commission approved Laclede Gas Company's ISRS after reviewing the Staff's recommendation and other documents filed in the case including an agreement between the parties.

Underground Utility Damage Prevention Statutes

The PSC worked with the Missouri One-Call System (MOCS), underground utility operators, and representatives of excavation contractors to pass House Substitute for House Committee Substitute for House Bill No. 425 during the 91st General Assembly. This legislation, which was signed by Governor Holden and became law on August 28, 2001, establishes a true one-call system in Missouri.

All owners of underground facilities in Missouri are now required to become members of MOCS and with "one call", a person planning excavation work will have all the underground facility owners in the area of the proposed excavation notified and the facilities marked.

Universal participation in the MOCS will increase public safety by better protecting the state's underground infrastructure. All owners and operators of underground facilities in first- and second-class counties were required to become members of MOCS before January 1, 2003, and in third- and fourth-class counties before January 1, 2005.

Missouri Association of Natural Gas Operators

Missouri Association of Natural Gas Operators (MANGO) is a nonprofit organization comprised of Missouri natural gas operators (investor-owned and municipal systems). These operators work together with the PSC Gas Safety/Engineering Staff to enhance the operations and safety of natural gas systems throughout the state.

MANGO works with the PSC to review existing regulations, clarify interpretations and provide support in developing new regulations. The goal is to work together to address operations, maintenance, and emergency response issues, as well as potential hazards (such as directional drilling, defective materials, and other issues) and to foster continuing dialogue to operate Missouri natural gas systems as safely as possible.

The PSC and MANGO hold quarterly meetings to stay current on issues/trends in the industry and other issues affecting the operators' operations. In addition, the PSC and MANGO sponsor an annual pipeline safety seminar to help train and educate operators on a wide variety of pipeline and pipeline safety issues, including installation, operations, maintenance, emergency response, and products used in the industry.

Federal Natural Gas Activities

Decisions by the Federal Energy Regulatory Commission (FERC) directly impact Missouri ratepayers since Missouri's natural gas utilities must use FERC-regulated interstate pipelines for delivery of their natural gas supplies. The PSC believes its involvement in FERC and related judicial proceedings is necessary to ensure that Missouri natural gas consumers receive reliable service at reasonable rates.

There are 10 interstate pipelines directly serving Missouri with an additional 4-6 upstream pipelines used by Missouri natural gas utilities. The PSC actively participates in many proceedings, company-specific and generic, focusing on those having the greatest impact to Missouri and/or those where representation of Missouri interests is limited or absent.

The PSC's federal gas activities resulted in \$68.9 million in cost savings (\$40.8 million in refunds and \$28.1 million in rate reductions) for Missouri consumers during fiscal year 2004.

The three pipelines delivering a majority of the state's natural gas are: Southern Star Central Gas Pipeline Inc. (SSC), Centerpoint Energy-Mississippi River (MRT), and Panhandle Eastern Pipe Line Company, LP (Panhandle). SSC serves western Missouri, including the Kansas City, St. Joseph, Springfield and Joplin areas and has a small lateral terminating in St. Louis. MRT serves St. Louis and portions of southeast Missouri. Panhandle serves a number of systems across the central part of the state.

Kansas Ad Valorem Tax Refunds

Since 1989, the PSC has been aggressively seeking refunds of Kansas ad valorem taxes unlawfully collected from SSC and Panhandle consumers between 1983 and 1993. As a result of those efforts, Missouri ratepayers have received \$62.6 million in refunds — \$13 million during 1994-95, \$7.3 million during 1998-99, \$1.5 million during 2000-01, and \$40.8 million during 2003-04.

The majority of the refunds received during 2003-04 were the result of settlements entered into with all the large Kansas natural gas producers, except for \$10.2 million Pioneer Natural Resources was directed to pay as a result of the PSC's litigation of Missouri's claims. The PSC is currently continuing to pursue certain unpaid refunds other parties have deemed uncollectible.

Southern Star Central Gas Pipeline Inc. (SSC)

Missouri customers received approximately \$9.9 million in cost-savings during FY 2004 as a result of the litigated result of affiliate cost issues and a cost-of-service settlement in SSC's 1995 rate case.

On November 27, 2002, SSC made its annual fuel use and loss reimbursement filing (Docket No. RP03-135), seeking significant increases in its reimbursement percentages, particularly with respect to storage injections. In response to the PSC's protest of the filing, FERC accepted the subject tariff sheets effective January 1, 2003, subject to refund and the outcome of a May 2004 hearing. A PSC staff member testified on behalf of the PSC. An initial decision from the FERC administrative law judge is anticipated in late September 2004, with a Commission review of that order sometime during the first half of 2005.

FERC approved SSC's proposal (Docket No.

RP03-356) to implement daily allocations of gas on its system on November 1, 2003. Since rehearing of FERC's order was requested, parties await a final order in this docket.

SSC's \$10.5 million Southwest Missouri Expansion Project (Docket No. CP02-416) to provide an additional 66,800 Dth/day to serve electric power generation and natural gas utilities load growth was placed in service during September 2004.

On May 3, 2004 SSC filed with the FERC for a \$49.5 million increase in revenues, generally representing a 35%-57% rate increase for its Missouri customers. Those rates go into effect November 1, 2004, and are subject to a hearing and partial refund. The current procedural schedule establishes an April 2005 hearing and anticipates an initial decision by mid-September 2005.

Centerpoint Energy-Mississippi River (MRT)

As a result of a 2001 settlement in MRT's last rate case, Missouri customers have experienced over \$15.6 million in cost-savings during FY 2004. That settlement also contained a conditional rate moratorium (precluding increases to base transportation and storage rates) through September 2006.

Enbridge Pipelines-KPC (KPC)

A portion of the gas supply for Kansas City is transported over KPC. FERC allowed KPC (in Docket No. CP96-152) to begin charging FERC transportation rates, which were significantly higher than what the PSC believed reasonable. Although the PSC obtained a favorable U.S. Court of Appeals decision in its appeal of FERC initial rate orders during December 2000, the PSC believed FERC's subsequent orders on remand were erroneous. Therefore

the PSC filed another appeal (Case No. 02-1132) on April 17, 2002.

On August 12, 2003, the court once again remanded the matter to the FERC because it found the FERC's previous orders on remand were not reasonable. Approximately \$1.8 million per year is at issue on rates paid by Missouri Gas Energy customers from November 1997 through November 9, 2002, the date final rates in KPC's subsequent rate case (Docket No. RP99-485) became effective. Parties await FERC's action on the most recent remand. Missouri customers have received approximately \$2.6 million in cost-savings during FY 2004 as a result of the litigated result of KPC's 1999 rate case.

Other Proceedings

The PSC filed an appeal of FERC's (US Court of Appeals DC Circuit No. 04-1099) October 31, 2002 and January 29, 2004, orders eliminating the 5-year right-of-first-refusal term cap for firm service contracts. The PSC's appeal was consolidated into *AGA v. FERC* (No. 04-1094).

The PSC also submitted comments with respect to the Gas Technology Institute's (GTI's) application to impose a discountable surcharge on volumes transported through interstate pipelines (Docket No. RP04-378).

Other significant FERC generic policy orders issued during fiscal year 2004 were: Order No. 634-A - Regulation of Cash Management Practices (RM02-14); Order 644 - Amendments to Blanket Sales Certificates (RM03-10); Order No. 646 - Quarterly Financial Reporting and Revisions to the Annual Reports (RM03-8); Order No. 649 - (RM02-4) Critical Energy Infrastructure Information; and Order No. 2004 - Standards of Conduct for Transmission Providers.

TELECOMMUNICATIONS

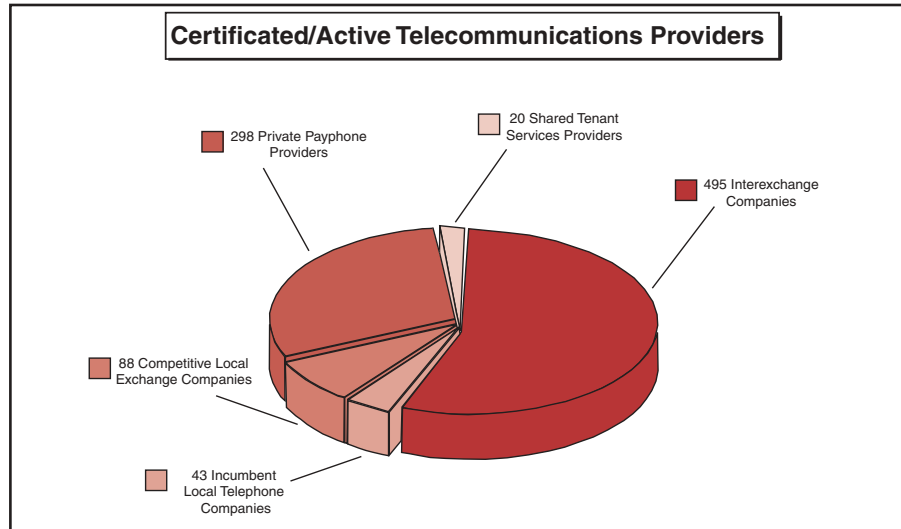
Relay Missouri—Captioned Telephone Services

The Missouri Public Service Commission oversees the administration of the Relay Missouri service in the state. Relay Missouri was established by the Legislature in 1991 and provides deaf, hard-of-hearing and speech-impaired citizens access to the telephone network. A communications assistant translates a call so that a deaf, hard-of-hearing, or speech-impaired party can communicate with any other party.

New state-of-the-art technology to enhance telecommunications service for those who are hard-of-hearing, or who have experienced hearing loss, will become part of Relay Missouri. The Missouri Public Service Commission has approved the use of Voice Carry Over (VCO) technology through the use of a CapTel captioned telephone. Individuals who have a hearing loss severe enough to prevent them from being able to communicate effectively over the telephone, but can speak clearly, will be able to benefit from this technology.

CapTel service allows some deaf and hard-of-hearing individuals to use their own voice, and allows them to read what the other party is saying from a small screen on a special CapTel phone set. A CapTel communications assistant repeats into a microphone all that the other party says, and a computer translates spoken word into text, and sends the text to the CapTel phone set. CapTel service produces a quicker, more natural, relay call for those who can use it.

Relay Missouri is funded through a monthly, per-line surcharge. The current surcharge is 10 cents. The Relay Missouri surcharge is reviewed at least every two years, but not more than on an annual basis. This surcharge also funds the Adaptive Telephone Equipment Program administered by the Missouri Department of Labor.



The Relay Missouri Advisory Committee assists the Missouri Public Service Commission in its administration of this program.

Telephone Service Quality in Missouri

During the 2004 fiscal year, Missouri basic local telecommunications companies continued to provide high quality service to its consumers. Many of these companies were faced with the challenges of inclement weather and with many counties being declared as natural disaster areas during the year. The quality of service component most affected was Out of Service Cleared within 24 hours. Overall, Out of Service trouble increased 8% compared to last fiscal year. This increase was not evenly spread over a year’s time frame, but in high volumes with the inclement weather patterns. Listed below is the statewide average of performance levels of service objectives monitored:

* In response to 519,272 requests for basic local telecommunications service, the Missouri telecommunications industry installed 92.22% of basic local service requests within five days. The Missouri telecommunications industry also met 95.92% of its commitments to install service on the day specified to the customer.

* Answered calls to the operator approximately 8.7 seconds after the customer dials “0”.

* Answered calls to the company's repair center or business office in an average of 11.5 seconds.

* Received an average of 2.03 trouble reports per 100 customers.

* Restored 82% of out-of-service conditions within 24 hours.

* Met 91% of commitments to repair service by the day specified to the customer.

Telephone Numbers

In the past, the Public Service Commission has reviewed recommendations for area code relief. The Commission reviewed and implemented methods to conserve telephone numbers through various number conservation efforts, including Rate Center Consolidation, Number Pooling, Reclamation, and Sequential Number Assignment to extend area code relief. Rate Center Consolidation was implemented in the 314 area code reducing 14 rate centers to 7. In addition, Number Pooling was implemented in the 314, 816, 573, 660, 636, and 417 area codes. Under this concept, telephone companies receive telephone numbers in blocks of 1,000 instead of 10,000.

The Telecommunications Department Staff continues to investigate code usage, reclamation of unused telephone numbers, and number conservation implementation. Through PSC conservation efforts, the lives of the area codes have been extended. Current exhaust projections for Missouri area codes are as follows:

314 -- First quarter 2012
636 -- Second quarter 2023
573 -- Third quarter 2009
417 -- Third quarter 2008
816 -- Third quarter 2012
660 -- First quarter 2024

Competition for Basic Local Telephone Service

In December 2003, the PSC issued a decision on the status of business and residential competition in certain areas served by Sprint Missouri, Inc. The PSC found that local telephone competition exists in the Kearney, Rolla, and Norborne exchanges. The PSC previously found that Southwestern Bell faces local competition for residential customers in St. Charles and Harvester and for business customers in St. Louis and Kansas City. Southwestern Bell Telephone recently asked the Commission to open another investigation into the state of competition in its remaining areas.

The PSC first authorized local exchange telephone competition in 1997. Since that time, approximately 90 companies have received Commission approval to provide local telephone service in competition with traditional incumbent local exchange carriers.

Competitors can provide local exchange telephone service in a variety of ways including: (1) through the resale of the incumbent's facilities; (2) by using portions of the incumbent's network (called Unbundled Network Elements); or (3) through the use of their own facilities-based network.

Monitoring of Wholesale Service to Competitors

In late 2001, Southwestern Bell Corporation (SBC) was permitted to enter and compete in the interLATA long distance telecommunications market. SBC's provisioning of wholesale service to competitors is currently being monitored by approximately 120 performance measures. These measures are divided into 1,328 submetrics.

On average, SBC has met 93.4% of those performance measures showing activity since the performance measures were implemented. Fiscal year 2003 performance results range from 93.1% to 95.9%. There are 116 Missouri competitors covered by these measures. If SBC fails to achieve a certain level of performance metrics, the company is obligated to pay damages to the competitor and/or the Missouri state treasury.

Communities Providing Cable Television, Telephony and Internet Services

Under state law (Sections 392.410 and 71.970, RSMo 2000), the PSC evaluates the economic impact of municipalities providing cable television, telephony and internet services to their citizens. The PSC reports its findings to the legislature by December 31st of each year until 2007.

In 2003, four cities with a combined population of 21,322 residents reported providing cable television services to approximately 14,000 subscribers resulting in collected aggregate revenues of approximately \$3,542,892, experienced identifiable aggregate costs of \$3,068,482 and 11 employed full-time employees related to providing these services.

Nine cities indicated they provide facilities and services to access the Internet to approximately 14,000 customers, collected aggregate revenues of approximately \$2,960,000, experienced identifiable aggregate costs of approximately \$1,326,929 and 10 full-time employees related to the providing of these services. It was noted that many of the Internet customers were also cable television subscribers.

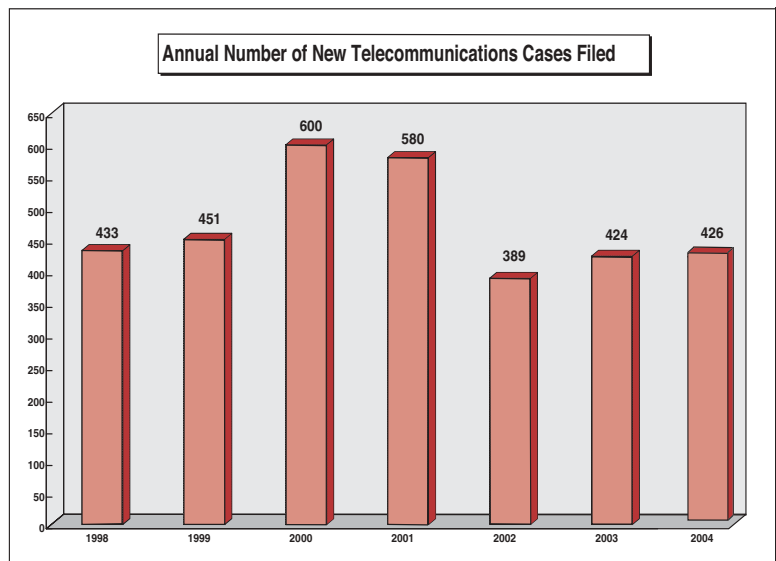
There are no municipalities offering telephony services.

The main reasons identified by municipalities for offering cable television and internet services remained the same as the year before:

- To stimulate economic development;
- As a response to poor quality of service by a private firm;
- To provide an alternative to the existing private firm or firms;
- No private service was provided or the private firm had no plans to upgrade facilities to offer desired enhanced services.

Rule Revisions

The PSC is in the process of drafting a rule that identifies the limitations and requirements for establishing and applying monthly charges and taxes for telecommunications services on residential and business customer bills. The purpose of the rule is to



make telephone bills easier to read and to make it easier for consumers to comparison shop for telephone service.

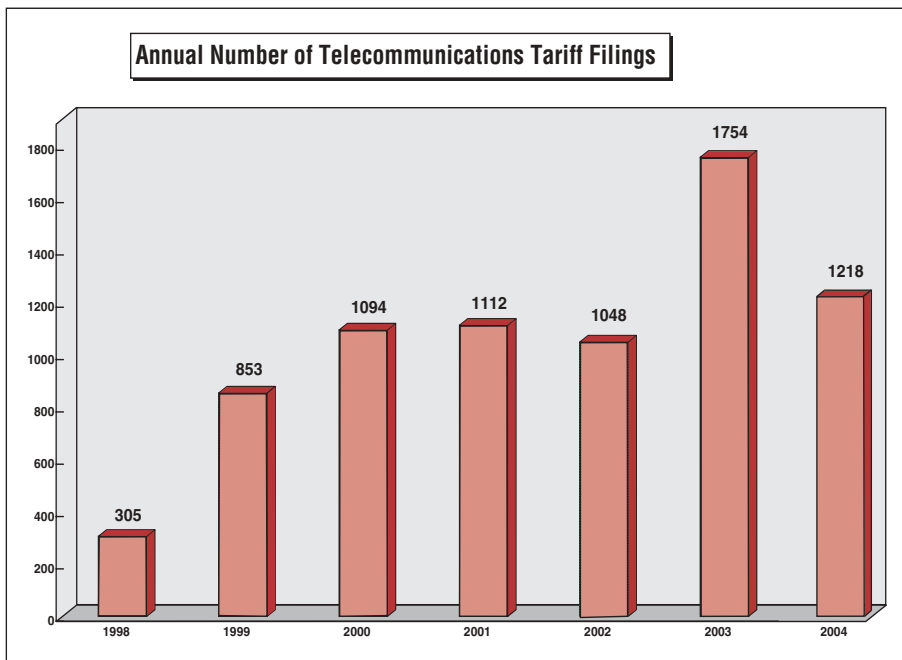
The PSC finalized several telecommunications rules addressing the following issues: protection of customer proprietary network information (i.e., quantity, technical configuration, type, destination, location and amount of use of a telecommunications service by a customer); truth-in-billing; customer notification requirements for company name changes and rate changes; tariff filing requirements; notification requirements for companies ceasing operation or filing bankruptcy; and filing requirements for competitive local exchange carriers.

The PSC continues to work on rules related to the inter-company record exchange process. A status update and summary of all pending rulemakings can be found on the Commission’s web site at http://www.psc.mo.gov/publications/PSC_Rule_Tracking_Sheet.xls.

Consumer Outreach

The PSC continues to update the “Show-Me-Rates” price comparison center web site <http://www.psc.mo.gov/teleco-showmerates.asp>. Show-Me-Rates is an on-going project that includes rates for local toll and in-state long distance calls and provides contact information for various competitive local telecommunications companies throughout the state.

The PSC web site includes telecommunications-specific information to keep the public informed. By



choosing Consumer Information – Telecommunications, consumers can receive helpful information on topics such as: low-income telecommunications support programs (Lifeline/Link-up); what the PSC regulates; saving money on phone repair bills; understanding your telephone bill; 900 numbers and telemarketing. Consumers can also access a “Consumer Bill of Rights” section that provides guidance on issues such as changing providers, 911, discontinuance of service and bill dispute processes.

Federal Telecommunications Activity

The PSC continues to closely monitor federal telecommunications activity at the Federal Communications Commission (FCC), other state commissions and the federal courts. The PSC filed comments in proceedings before the FCC on universal service issues, pricing rules for unbundled network elements and the National Association of State Utility Consumer Advocates’ (NASUCA) petition seeking a prohibition on carriers placing separate line items on bills unless those charges are expressly mandated.

Interconnection Agreements/Wholesale Agreements

Interconnection agreements, or wholesale agreements, are negotiated or arbitrated contracts between two telecommunications carriers. As part of the approval process enabling Southwestern Bell Tele-

phone, LP (SWBT) to provide InterLATA long distance service, a generic interconnection agreement is available between SWBT and those competitive local exchange providers interested in adopting the terms of that generic contract. The generic agreement expires in March 2005. Over the next few months, negotiations and arbitrations are expected to continue as carriers work to develop contracts to replace the generic agreement.

In 2004, the United States Court of Appeals vacated and/or remanded much of the FCC’s rules that outline incumbent local

exchange carriers’ obligations to make elements of their networks available on an unbundled basis to new competitive entrants. The FCC continues to work on these rules, with state commissions playing a limited role. Since the rules could have a significant impact on the future of the competitive telecommunications market, the FCC has encouraged carriers to voluntarily negotiate terms and conditions that will allow competitors to purchase the various components of an incumbents’ local network. These agreements, characterized as commercial agreements, contain the prices, terms, and conditions for the competitive company to obtain network elements from the incumbent carrier. However, the PSC’s authority over these “commercial” agreements remains controversial and is subject to future determinations by the FCC.

Local Number Portability

Local number portability refers to the ability of a customer to retain his/her telephone number when he/she changes telephone providers. According to FCC requirements, telephone companies, including wireless providers, were expected to have implemented local number portability no later than May 24, 2004.

In 2004, the PSC received requests from 37 rural incumbent local exchange carriers seeking a suspension and/or modification of the FCC’s wireline-to-wireless local number portability requirements. Under wireline-to-wireless portability, customers are able to

take their wireline telephone numbers to a wireless telephone. Some carriers sought suspension to avoid an adverse economic impact on customers or an undue economic burden on the company. Other carriers sought suspension to allow time to replace certain components of their networks. All carriers sought modification to address certain issues that the FCC declined to address regarding the transporting of calls. The PSC has granted suspensions and/or modifications of six months to two years for most of these companies.

2-1-1 – Information and Referral Services

The FCC designated certain numbers for abbreviated or three-digit dialing. One of these numbers, 2-1-1, provides the public with easy access to community resources in situations that are not immediately life-endangering, but still represent a serious but less urgent threat to basic human needs such as housing assistance, counseling and abuse programs.

In 2004, the PSC initiated a rulemaking to establish the requirements for the assignment, provision and termination of 2-1-1 service in Missouri. Entities interested in being a 2-1-1 provider in an area in Missouri must submit an application to the PSC describing their technical, financial and managerial resources and abilities to become an information and referral provider.

In June 2004, the PSC approved an agreement authorizing the Heart of America United Way as a 2-1-1 provider in 16 counties surrounding the Kansas City area.

Voice Over Internet Protocol

On February 3, 2004, the Commission established a case (TW-2004-0324) to further its knowledge of Voice over the Internet Protocol (VoIP) technology and to prepare comments to the FCC on this subject.

The PSC Staff conducted workshops, prepared a report on how VoIP technology is used in the marketplace, and on May 3, 2004, hosted a roundtable on VoIP with Commissioners and members of the industry.

VoIP is a relatively new technology that utilizes voice conversations using Internet Protocol (IP) as a transport technology. Software and computing devices convert voice conversations into digitized

packets of data and transmit these packets over either the public Internet or managed Internet protocol networks. Many VoIP-related services enable calling to and from the public switched telephone network, the traditional telephone network. Other VoIP services traverse as data packets entirely on the Internet, such as a computer-to-computer call. When VoIP is used as a replacement for traditional telephone service, VoIP requires a “broadband” connection to achieve the necessary speed.

Price Cap Regulation

Price cap regulation allows maximum price changes for basic local telephone service based upon a consumer price index adjustment and rate rebalancing. Under a state law passed in 1996, a telephone carrier can be designated a price cap regulated company if it shows that:

- 1) an alternative local exchange company is properly certificated to provide local exchange telecommunications services in a service area; and
- 2) the alternative local exchange carrier is, in fact, providing such services in the service area.

On May 20, 2002, ALLTEL Missouri, Inc. (ALLTEL) notified the PSC that it was electing to be regulated under the price cap provisions set forth in Section 392.245.2. In a decision reached on July 20, 2004 (Case No. IO-2002-1083), the Commission determined ALLTEL was not eligible for price cap status because a telecommunications company operating in ALLTEL’s service territory is not providing what the legislature intended as the basic local services necessary to invoke a lesser degree of regulation for small incumbent local exchange carriers as set forth in Chapter 392.

BPS Telephone Company currently has a case before the Commission (Case No. TC-2002-1076) in which it seeks price cap status. The Commission has established the procedural schedule in that case.

Rate Cases/Earnings Investigations

On September 25, 2003, the Commission approved an agreement which reduced the annual telephone revenues of Steelville Telephone Exchange, Incorporated by approximately \$330,440. The agreement submitted for Commission consideration was the result of a PSC Staff investigation into the

earnings of the telephone company. As a result of the agreement, Steelville Telephone Exchange reduced its intraLATA and interLATA terminating rates and enhanced E911. The agreement was filed by the PSC Staff, the Office of the Public Counsel and Steelville Telephone Exchange, Incorporated.

On March 29, 2004, the Commission approved an agreement which authorized Fidelity Telephone Company to increase annual telephone revenues by approximately \$1.6 million. Under the agreement, the basic monthly telephone rate for one-party residential and business customers increased as well as rates for a number of non-basic telephone service offerings such as the optional local toll Outstate Calling Area (OCA) plan. Fidelity Telephone was also authorized to increase the rates charged to long distance carriers for access to the Fidelity Telephone Company network to complete a long distance call. The agreement approved by the Commission was submitted by the PSC Staff, the Office of the Public Counsel and Fidelity Telephone Company.

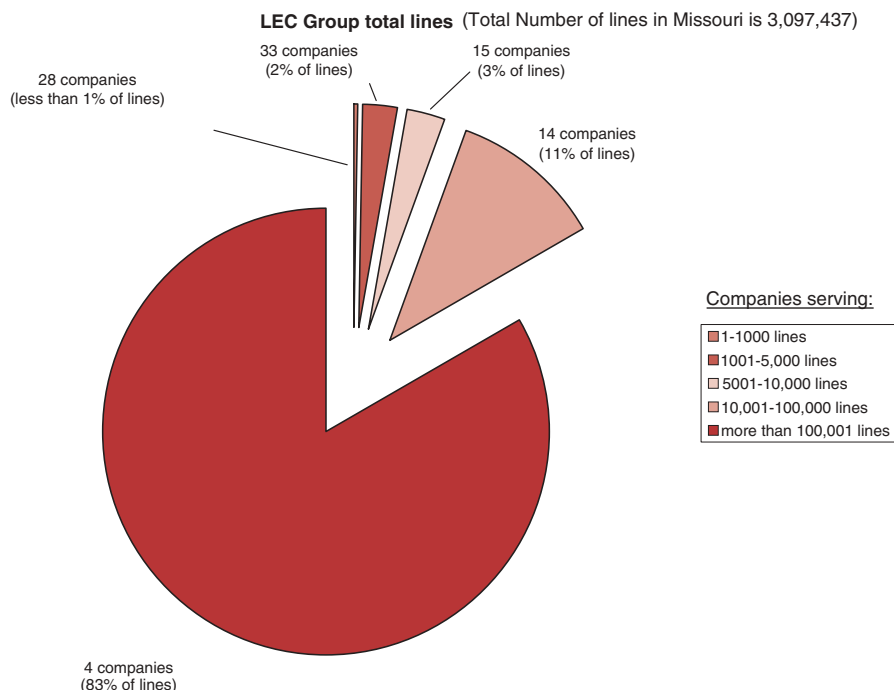
On April 29, 2004, the Commission approved an agreement which reduced the annual telephone revenues of Cass County Telephone Company by

approximately \$320,000. Local ratepayers received a reduction in Tier 4 and Tier 5 MCA rates; interexchange carriers received a reduction in terminating carrier common line rates; and local governments received a reduction for enhanced E911 service. The agreement was filed by the PSC Staff, the Office of the Public Counsel and Cass County Telephone Company.

MCA/Calling Scope Task Force

In March 2004, in response to requests by the Office of Public Counsel, the Commission established a case (TW-2004-0471) and named a task force to investigate the Metropolitan Calling Area (MCA) plan and calling scopes in Missouri. The primary issues to be addressed include what action, if any, should be taken by the Commission regarding the MCA plan and rural calling scopes. The Task Force is comprised of various legislators, members of the telecommunications industry, the Office of the Public Counsel, Missouri Municipal League, a consumer, and the PSC Staff. The Task Force filed a report on September 29, 2004.

Local Exchange Companies (LEC)*



*As of December 31, 2003

Water and Sewer Department

Department Personnel

The Water and Sewer Department consists of seven professional/technical positions and is split into two sections, Rates and Engineering. Although the Department is split into the Rates and Engineering Sections, staff members work closely together as a team and it is not unusual for them to share responsibilities.

As with most departments within the Commission's organizational structure, the Department's management personnel carry out not only their administrative duties, but are also involved in a great deal of the technical and analytical case work that falls within the scope of the Department's responsibilities.

As a group, the Department's staff members have compiled nearly 150 years of regulatory and/or water and sewer utility work experience, with much of that experience having been gained by their work in the Department.

Department Responsibilities, Objectives and Work Functions

By law, the Commission is responsible for regulating the rates, fees and operating practices of the privately owned water and sewer corporations that operate in Missouri. The Water and Sewer Department helps the Commission fulfill its responsibilities by providing technical expertise to the Commission on matters relating to water and sewer system operations and the tariffed rates, charges and services of regulated water and sewer companies.

The general objectives of the Department are two-fold. The first objective is to ensure that the regulated water and sewer companies provide safe and adequate service to their customers at rates that are deemed just and reasonable. The second objective is to ensure that the companies provide service according to applicable Commission rules and procedures and the provisions of their Commission-approved tariffs. Specific aspects of the Department's work include:

- * Evaluating company tariff filings to determine whether proposed new/revised tariff provisions

comply with applicable Commission rules, policies and state laws;

- * Reviewing existing company tariffs to determine whether the provisions of the tariffs continue to comply with applicable Commission rules, policies and state laws, as they change over time;
- * Participating in the review of all requests for rate increases from the perspective of evaluating the appropriateness and the design of proposed rates and charges, the adequacy of system operations and the appropriateness of and/or need for system plant additions that have been or will be placed in service;
- * Participating in the review of all applications for new/expanded certificated service areas from the perspective of evaluating the need for the service proposed, the reasonableness and design of the proposed rates and charges, the proposed system design, the plans for system operations and the overall project feasibility;
- * Participating in the review of financing applications to determine the appropriateness of and/or need for projects being financed, as necessary;
- * Conducting regularly scheduled field inspections to determine whether company facilities and overall system operations comply with applicable Commission rules, company tariff provisions and proper operational procedures;
- * Interacting with company owners/operators regarding operational and technical matters;
- * Investigating customer complaints and responding to customer inquiries concerning matters related to rates, charges, system operations and quality of service; and
- * Providing training sessions and/or materials to industry personnel and PSC staff personnel regarding the small company rate increase procedure, rate design and other ratemaking matters.

- * Providing expert testimony before the Commission on water and sewer cases pending before it, and providing technical advice to the Commission in its rulemaking actions on water and sewer matters.

Interaction With The Department Of Natural Resources

Of the utilities regulated by the Commission, water and sewer utilities are unique in that another state agency, the Department of Natural Resources (DNR), also has significant jurisdiction over the utilities. Specifically, the DNR's jurisdiction covers the area of the water and sewer utilities' compliance with applicable federal and state environmental and water quality laws and regulations.

While the Commission's rules provide for general oversight regarding water quality and sewage treatment standards, the Commission generally relies upon the DNR to determine whether the companies are complying with the applicable federal and state environmental and water quality laws and regulations.

Because of the overlapping jurisdiction between the Commission and the DNR, the staffs of the agencies attempt to work cooperatively in achieving the agencies' respective missions. For some time, the two agencies have shared information regarding companies for which the agencies share regulatory responsibilities, under the provisions of a Memorandum of Understanding (MOU) between the agencies.

However, the Commission and the DNR's Director recently pressed for improvements in the agencies' cooperation and coordination on overlapping matters, such as the DNR's issuance of construction and operating permits and the Commission's utility service area certification process.

As a result, the agencies' MOU was modified and now, among other things, includes provisions that will result in the streamlining of the application processes for new water system construction, permitting and certification, and which will better coordinate the agencies' respective review and approval processes for such systems. It is anticipated that such efforts will eventually extend to the permitting and certification of all water and wastewater systems for which the agencies share jurisdiction.

Small Company Rate Case Working Group

As part of an overall project regarding "case efficiency" undertaken by the Commission, Water and Sewer Department staff members participated in a Small Company Rate Case Working Group that was organized to review and suggest improvements to the small company rate increase procedure.

In addition to staff, members of this Working Group included representatives of small water and sewer companies (companies serving 8,000 or fewer customers), attorneys that regularly participate in cases before the Commission, representatives of the Office of the Public Counsel, Staff members from the Commission's Auditing, Management Services and Telecommunications Departments, and an attorney from the Commission's General Counsel's Office.

The Working Group's efforts resulted in the following agreed-upon projects related to the small company rate increase procedure:

- (1) developing a "How To" booklet for the procedure;
- (2) modifying the Staff's "activity timeline" for the procedure;
- (3) modifying the Staff's "overview" of the procedure; and
- (4) rewriting the Commission's rules regarding the procedure.

In addition to these projects, the first three of which have essentially been completed, the Working Group also agreed to continue to meet and discuss several other topics related to the small company rate increase procedure.

The Commission's Regulated Water and Sewer Companies

The Commission currently has jurisdiction over 58 active sewer companies and 68 active water companies, which operate in various locations throughout the state, and many of which have multiple service areas and systems.

The vast majority of the Commission's jurisdictional sewer and water utilities are very small, which presents unique situations with which the Commission and the Department Staff must deal.

Regulated Sewer Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
1,000 & Up	2	2,565	19.58
500 - 999	5	3,620	27.63
300 - 499	6	2,455	18.74
200 - 299	7	1,440	10.99
150 - 199	6	1,050	8.02
100 - 149	7	855	6.53
50 - 99	14	915	6.98
0 - 49	11	200	1.53
TOTALS	58	13,100	100.0

NOTE: Tables compiled 9/7/04 based on most recently available information. Customers rounded to the nearest "five."

Regulated Water Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
10,000 & Up	1	453,875	93.27
5,000 - 9,999	1	6,730	1.38
3,500 - 4,999	1	4,515	0.93
2,000 - 3,499	2	5,160	1.06
1,000 - 1,999	3	3,210	0.66
500 - 999	8	5,835	1.20
300 - 499	6	2,215	0.46
200 - 299	9	2,160	0.44
150 - 199	5	815	0.17
100 - 149	8	985	0.20
50 - 99	14	925	0.19
0 - 49	10	185	0.04
TOTALS	68	486,610	100.0

NOTE: Tables compiled 9/7/04 based on most recently available information. Customers rounded to the nearest "five."

Manufactured Housing and Modular Unit Program

The Manufactured Housing Department of the Public Service Commission is governed by Sections 700.010-700.470 of the Revised Statutes of Missouri.

The department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units; prescribing and enforcing uniform construction standards and safety by conducting code inspections; and enforcing tie-down requirements.

There are 176 registered manufacturers and 330 registered manufactured housing dealers operating in Missouri.

The staff receives in excess of 200 phone calls monthly and receives in excess of 200 consumer inspection requests annually. Currently the staff consists of three full-time field inspectors, one part-time inspector and 2.5 office staff.

The PSC has a toll-free hotline for consumers who have questions and/or complaints regarding manufactured homes or modular units. The toll-free number is **1-800-819-3180**.

The sales of manufactured homes has declined during the past couple years; however, the sales of modular units has more than doubled during the past year. Modular units include resident homes, commercial and industrial units and educational units. Approximately 3,900 new manufactured homes and modular units were sold in the state during FY 2004. An additional 2,600 used homes were sold.

New Legislation

The Commission will be working with the industry regarding the implementation of Senate Bill 1096 passed during the 2004 legislative session. This bill includes federal mandates from the 2000 Federal Manufactured Housing Improvement Act. The mandates included in this legislation require the Commission to license all entities who install or setup manufactured homes, requires the PSC Staff to inspect a percentage of all new homes installed and establishes a dispute resolution process. The Commission plans to have the bill fully implemented prior to the December 2005 deadline.

STATISTICS FOR FISCAL YEAR 2004

Registered Manufacturers:	176
Registered Dealers:	330
Homes Sold (new & used):	6,508
Consumer Complaint Inspections:	290
Dealer Lots Inspected:	582
Modular Unit Seals Issued:	1,546
Modular Unit Plans Approved:	988

Source: PSC Manufactured
Housing Department database

Home installers will be required to attend installation classes and be certified and licensed to install homes. The staff has established a committee of various representatives from the industry to draft rules to address specific concerns with the licensing and training of installers. It is estimated that between 200 to 300 individuals or companies will become licensed as installers.

During the past year the Commission has filed complaints against dealers for various non-compliance issues including complaints against dealers for selling homes without U.S. Department of Housing and Urban Development (HUD) labels, improper anchoring, operating without the required license and failing to make corrections in a timely manner. The staff is working to continue to ensure homes and commercial units are built and setup to the applicable building codes and safety standards to ensure safe and affordable housing for many moderate and lower income citizens.

SERVICE QUALITY

Engineering and Management Services Department

The Engineering and Management Services Department (EMSD, staff or Department) has technical responsibilities in two separate areas.

The Management Analysts' mission is to develop, enhance and support utility management to provide quality services to customers and effective cost control of critical resources such as capital, technology and human resources.

The engineering staff of EMSD conducts depreciation studies and provides specialized engineering analysis and assistance for all types of regulated utilities.

Major Projects During 2004

Management Analysts participated in a variety of cases and audit projects during 2004. Specifically, the staff completed a customer service and gas supply review of Laclede Gas Company. Laclede serves approximately 636,000 customers in Missouri. During the course of its review, the EMSD traveled to Company headquarters in St. Louis and made on-site visits to the Company's St. Charles and Forest Park offices.

In addition, PSC staff also viewed the Company's underground storage facility near Florissant as well as the Company's meter shop in south St. Louis. The staff performed on-site observations at the Company's call center located at Company headquarters in St. Louis, as well as the call center in Jefferson City, and conducted field observations of the Company's meter reading and disconnection processes.

Staff's review resulted in approximately 60 recommendations made to Laclede Gas Company management for improvement.

Management Analysts also participated in Aquila's financing case (EF-2003-0465), to examine the Company's quality of service in the context of Aquila's request to pledge Missouri-regulated utility assets in exchange for financing and in Aquila's subsequent rate cases. In all cases, staff documented concerns regarding Aquila's provision of service to its customers

and requested that the Company be ordered to report key monthly customer service data to the PSC Staff and the Office of the Public Counsel so that specific service quality areas could be monitored. Aquila ultimately agreed to report monthly quality of service data.

The PSC Staff made a similar reporting request of AmerenUE in the Company's gas rate case (GR-2003-0517), in which EMSD staff participated. In that proceeding, AmerenUE agreed to provide quality of service data to the PSC Staff and the Office of the Public Counsel and began providing such data in the spring of 2004.

During this year, EMSD staff also participated in a rate case filed by Missouri Gas Energy (GR-2004-0209). In this proceeding, staff rebutted the Company's request for a rate of return adjustment to reward it for its customer service and assertions of efficient management. EMSD staff also participated in Missouri-American Water Company's rate case (WR-2003-0500). In this case, EMSD staff filed testimony regarding the Company's service quality and requested the addition of various quality of service information by the Company. Missouri-American agreed to staff's request in a stipulation and agreement, the terms of which were approved by the Commission.

EMSD staff also performed quality of service work in the context of The Empire District Electric Company's rate case (ER-2004-0570).

EMSD staff participated in a multi-disciplinary team that investigated the transfer of approximately 400 employees from Kansas City Power and Light Company (KCPL) to Great Plains Energy Service Company, a subsidiary of Great Plains Energy. A report detailing staff's analysis and accompanying recommendations was provided to KCPL.

Staff also participated in a review of AmerenUE's service restoration efforts after severe thunderstorms passed through central and east central Missouri on July 5, 2004. The final report was presented to AmerenUE and included recommendations for improvement, including a recommendation regarding the Company's customer callback system.

Staff has continued to receive and review status reports from a variety of companies as a result of merger and rate cases. These reports contain information regarding customer service at the companies including data on call center indicators such as average speed of answer (ASA) and abandoned call rate (ACR).

The Department participated in reviews of numerous small water and sewer companies to assist them in providing sound customer service.

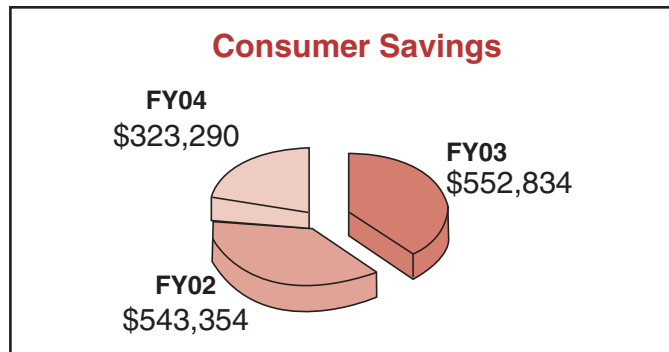
The audit program is designed to assist such companies in a variety of areas including customer billing, credit and collections, complaint handling and others.

During fiscal 2004, the engineering staff performed depreciation analysis of numerous small and large companies and conducted comprehensive depreciation studies in the context of rate cases filed by Missouri-American Water Company, AmerenUE, Aquila, Inc., Missouri Gas Energy and The Empire District Electric Company.

Engineering staff also performed depreciation analysis and filed testimony in the Osage Water Company and Fidelity Telephone cases. As part of their conduct of comprehensive depreciation studies, engineering staff performed company inspections and participated in plant tours to develop their knowledge and understanding of each company's tangible plant. This knowledge of company plant, coupled with statistical analysis of plant mortality data, serves as the basis of staff's work in each rate case and the support for staff's depreciation rates.

The purpose of depreciation in a regulatory environment is to recover the cost of capital assets from customers and allocate the costs over the useful life of the assets.

The engineers' objective is to propose depreciation rates that are fair and appropriate for each company and the company's customers. Depreciation comprises a significant component of the cost used to develop utility rates paid by consumers. Engineering staff also facilitated a workgroup comprised of utilities, the Office of the Public Counsel, intervenors and staff, designed to increase efficiencies within the large rate case process. A final report resulted from this workgroup with recommendations made for improvement.



Consumer Services Department

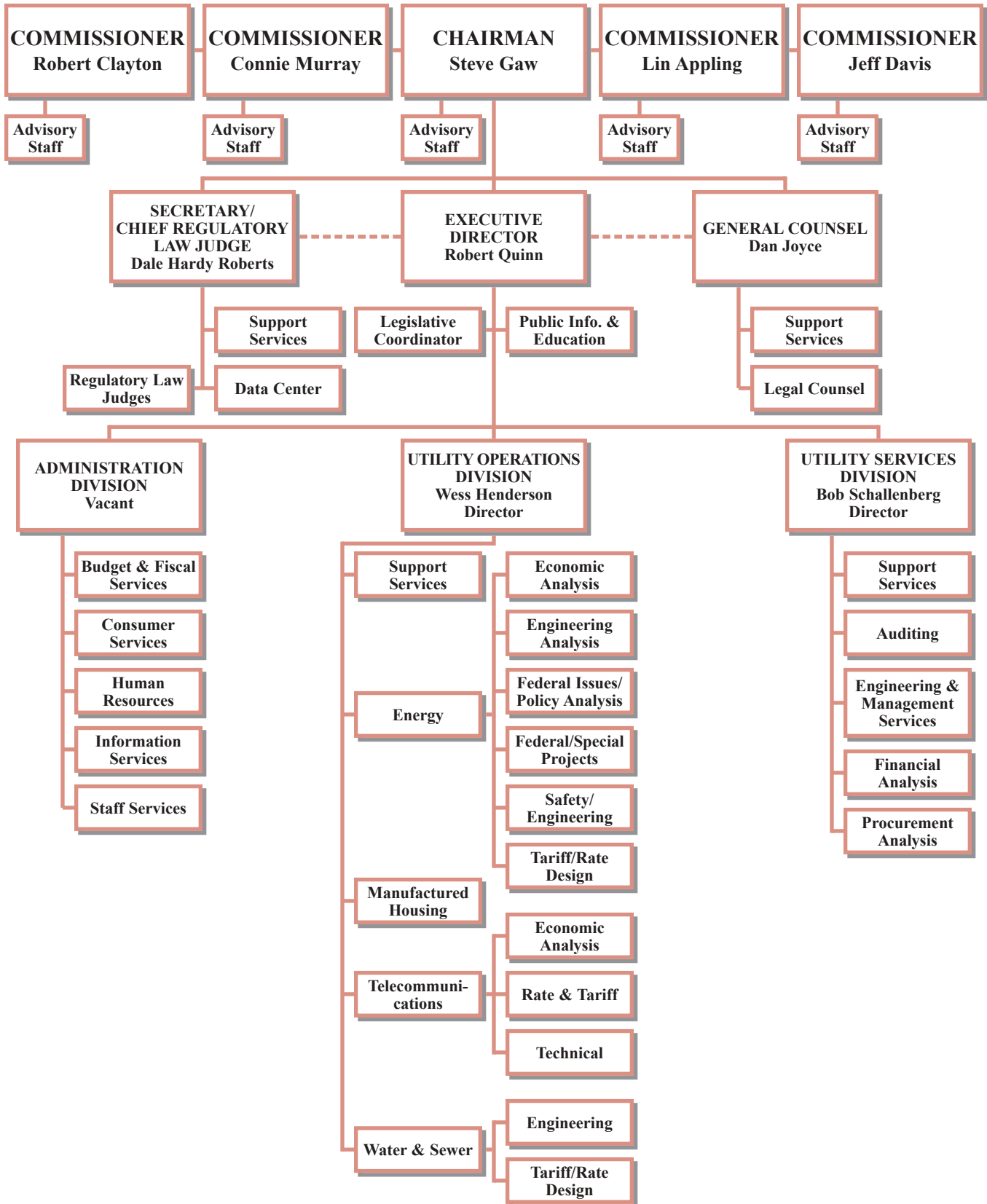
The Consumer Services Department serves as the central repository for consumer complaints and inquiries received by the Commission.

Consumer complaints may be filed with the Commission by mail, facsimile, e-mail or the Commission's consumer toll-free hotline (**1-800-392-4211**.) Complaints may also be submitted on-line through the Commission's website. Consumer Services specialists receive, investigate and respond to billing and service issues involving gas, electric, water, sewer, and telecommunications companies regulated by the Commission. The investigation of complaints may involve consulting with the Commission's technical staff, utility representatives and researching utility tariffs as well as the Commission rules and regulations. Through the handling of consumer complaints, specialists work to enforce Commission rules and utility tariffs.

Specialists also interact with other PSC Staff regarding consumer service issues in proposed rulemakings on the state and federal level. This interaction also involves participating in customer service focused reviews of utility operations and participating in formal cases before the Commission regarding issues that impact customer services.

Consumer Service specialists also refer consumers to other agencies that may provide the needed assistance.

**MISSOURI PUBLIC SERVICE COMMISSION
ORGANIZATIONAL CHART**



YEAR IN REVIEW

2003

July 3 – Aquila, Inc. d/b/a Aquila Networks-L&P and Aquila Networks-MPS files electric and steam rate cases with the PSC. Aquila seeks to increase electric revenues by approximately \$65 million in its MPS System and by approximately \$14.6 million in its L&P System. Aquila also seeks to increase steam revenues by approximately \$1.34 million.

August 1 – Aquila, Inc. d/b/a Aquila Networks-L&P and Aquila Networks-MPS files a natural gas rate case with the PSC seeking to increase annual natural gas revenues by approximately \$5.6 million in its MPS System and by approximately \$800,000 in its L&P System.

August 18 – PSC begins a series of statewide town hall meetings to help prepare consumers for the potential of higher natural gas prices this winter.

August 21 – PSC approves AmerenUE application to build a 54-mile, 345-kilovolt transmission line in central Missouri (Callaway-Franks Line).

September 25 – PSC approves agreement reducing the annual telephone revenues of Steelville Telephone Exchange, Incorporated by approximately \$330,400.

September 29 – Kelvin Simmons announces resignation as Chair of Public Service Commission.

October 6 – Emergency rule on Caller ID Blocking Service takes effect.

October 21 – PSC approves application filed by AmerenUE to construct and operate a 34.5-kilovolt electric transmission line (Matthews-East Prairie Line) in New Madrid and Mississippi Counties.

November 3 – PSC holds roundtable on Missouri's electric infrastructure and ratemaking pre-determination issues.

November 3 – Governor Bob Holden appoints Steve Gaw as Chair of the PSC.

November 4 – Missouri Gas Energy files \$44.8 million natural gas rate case with the PSC.

November 13 – PSC denies BPS Telephone Company request to become price cap regulated.

November 20 – PSC approves the sale of the Warren County Water & Sewer Company to the Missouri-American Water Company.

December 4 – PSC determines Sprint Missouri Incorporated faces effective competition in three of its 80 exchanges in Missouri.

December 9 – PSC opens case to investigate the sale or distribution of gas and electricity in Missouri by entities that are not certificated by the PSC.

December 30 – Fidelity Telephone Company files a rate case with the PSC seeking to increase telephone revenues by approximately \$2.36 million a year.

December 30 – Natural gas price volatility mitigation rule takes effect.



2004

January 13 – PSC approves agreement authorizing AmerenUE to increase natural gas revenues by approximately \$13 million. When AmerenUE filed its rate request on May 23, 2003, it sought to increase annual natural gas revenues by approximately \$26.7 million.

January 14 – Chair Steve Gaw urges Missouri Congressional delegation to seek additional federal Low Income Home Energy Assistance Program (LIHEAP) dollars for Missouri families.

February 3 – PSC opens case to study Voice Over Internet.

February 24 – PSC denies Aquila, Incorporated request to pledge Missouri regulated assets.

February 26 – PSC denies UtiliCorp United recovery of merger acquisition premium in its purchase of St. Joseph Light & Power Company.

PSC Year in Review

(continued)

February 26 – PSC approves agreement which authorizes AmerenUE to participate in the Midwest Independent System Operator (MISO) through a contractual agreement with GridAmerica, LLC.

March 4 – PSC establishes task force to examine Cold Weather Rule and possible long-term energy affordability programs.

March 15 – Emergency rule for 2-1-1 service takes effect.

March 18 – PSC establishes Calling Scopes Working Group.

March 30 – Permanent rule on Caller ID Blocking Service takes effect.

April 1 – AmerenUE reduces electric revenues by approximately \$30 million. It represents the third year of a July 2002 agreement which called for electric rate reductions totaling approximately \$110 million by April 2004.

April 6 – Governor Bob Holden appoints Linward “Lin” Appling to the Public Service Commission.

April 6 – PSC approves agreement which keeps the annual water and sewer revenues for Missouri-American Water Company at current levels in eight of its nine districts. Annual revenues will drop in the Company’s Joplin District. When Missouri-American Water Company filed its rate requests on May 19, 2003, it sought to increase annual water revenues by approximately \$20 million and sewer revenues for its Parkville District customers by approximately \$1,600.

April 13 – PSC approves agreement authorizing Aquila, Incorporated to increase annual electric revenues by approximately \$14.5 million for Aquila

Networks-MPS customers and by approximately \$3.25 million for Aquila Networks-L&P customers. The agreement also authorizes interim energy charges through April 2006. The agreement also increases annual steam revenues by approximately \$1.3 million.

April 20 – PSC approves the sale of the natural gas assets of the Eastern System of Aquila Networks, Incorporated to AmerenUE.

April 20 – PSC approves agreement authorizing Fidelity Telephone Company to increase annual telephone revenues by approximately \$1.6 million. Fidelity Telephone Company sought an increase of approximately \$2.36 million in a December 30, 2003 filing with the Commission.

April 22 – PSC approves agreement authorizing Aquila, Incorporated to increase natural gas revenues by approximately \$2.6 million for the Aquila Networks-MPS System and by approximately \$800,000 in the Aquila Networks-L&P System. When Aquila, Incorporated filed its rate request on August 1, 2003, it sought to increase annual natural gas revenues by approximately \$5.6 million in its Aquila Networks-MPS System and by approximately \$800,000 in its Aquila Networks-L&P System.

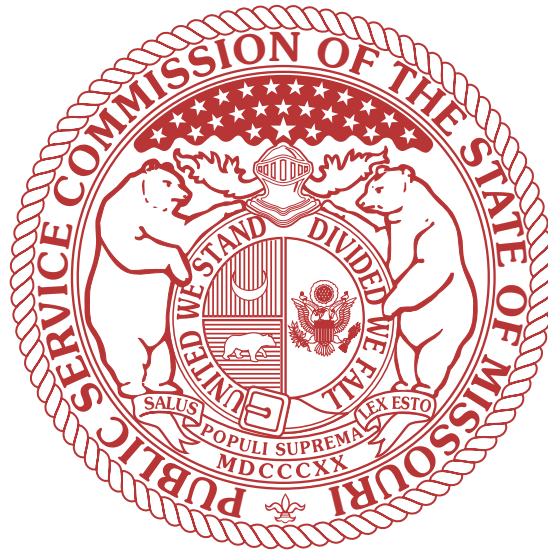
April 29 – PSC approves agreement reducing the annual telephone revenues of the Cass County Telephone Company by approximately \$320,000.

April 30 – Governor Bob Holden appoints Jeff Davis to the Public Service Commission.

April 30 – The Empire District Electric Company files a \$38.3 million electric rate case with the Public Service Commission.

June 8 – PSC approves agreement authorizing first 2-1-1 information and referral service provider (Heart of America United Way, Inc.) in Missouri.

Statistical Information



Statistical Information

RATE CASE DECISIONS DURING FISCAL YEAR 2004

NATURAL GAS

Date of Order	Case No.	Company	Rate Request	PSC Decision
1/30/04	GR-2003-0517	Union Electric d/b/a AmerenUE	\$ 26,700,000	\$ 13,000,000
4/22/04	GR-2004-0072	Aquila Networks - MPS	\$ 5,600,000	\$ 2,600,000 (1)
4/22/04	GR-2004-0072	Aquila Networks - L&P	\$ 800,000	\$ 800,000 (1)

ELECTRIC

Date of Order	Case No.	Company	Rate Request	PSC Decision
7/25/02	EC-2002-1	Union Electric d/b/a AmerenUE	\$ 0	(\$30,000,000) (2)
4/13/04	ER-2004-0034	Aquila Networks - L&P	\$ 14,639,000	\$ 3,250,000 (1)(3)
4/13/04	ER-2004-0034	Aquila Networks - MPS	\$ 65,000,000	\$14,500,000 (1)(4)

STEAM

Date of Order	Case No.	Company	Rate Request	PSC Decision
4/13/04	HR-2004-0024	Aquila Networks - L&P	\$ 1,340,000	\$ 1,300,000 (1)

TELEPHONE

Date of Order	Case No.	Company	Rate Request	PSC Decision
9/25/03	IR-2004-0061	Steelville Telephone Exchange	\$ 0	(\$ 330,440)
4/20/04	IR-2004-0272	Fidelity Telephone Company	\$ 2,259,970	\$ 1,625,000
4/29/04	IR-2004-0354	Cass County Telephone Company	\$ 0	(\$ 320,000)

(1) Aquila, Inc. does business in Missouri as Aquila Networks, Aquila Networks-L&P and Aquila Networks-MPS.

(2) Third year of reductions relating to an agreement approved by the Commission in a PSC Staff complaint case against AmerenUE, effective April 1, 2004.

(3) Commission also approved an agreement which authorized an interim energy charge totaling approximately \$2,400,000. The interim energy charge is in effect from April 22, 2004 to April 22, 2006.

(4) Commission also approved an agreement which authorized an interim energy charge totaling approximately \$16,100,000. The interim energy charge is in effect from April 22, 2004 to April 22, 2006.

WATER & SEWER

Requests/Cases Resolved, Pending and/or Submitted

Tracking/Case Number	Company	Status of Request	Increase Granted
200100966 200100967	Meadows Water Company (Water & Sewer Service)	Request Closed	N/A
200200682	Mill Creek Sewer Company	Request Pending	N/A
QW-2003-0001	AquaSource/R.U.	Request Closed	N/A
QW-2003-0002 QS-2003-0003	AquaSource/C.U.	Requests Closed	N/A
QW-2003-0005 QS-2004-0006	Roark Water & Sewer Company	Requests Pending	N/A
QS-2003-0015 (SR-2004-0451)	Taney County Utilities Corporation	Tariff Revisions Effective 5/17/04	\$4,970
QW-2003-0016 (SR-2004-0450)	Taney County Utilities Corporation	Tariff Revisions Effective 5/17/04	\$15,300
QS-2003-0017 QW-2003-0018	Gladlo Water & Sewer Company	Requests Pending	N/A
QS-2003-0019 SR-2004-0306	North Oak Sewer District, Inc.	Tariff Revisions Effective 4/14/04	\$3,850
QW-2003-0022	Noel Water Company	Request Pending	N/A
QW-2003-0023	Raytown Water Company	Request Pending	N/A
WR-2003-0500	Missouri-American Water Company	Tariff Revisions Effective 4/21/04	(\$350,000)

NOTES:

1. The first block of numbers (2002) in the "Tracking/Case Number" column reflects the fiscal year in which the rate increase request/case was originally submitted to the Commission.
2. EFIS Tracking Numbers used in lieu of tariff tracking number for small company rate requests submitted after 04/17/02.
QW - small water company request QS - small sewer company request.
3. An entry of "Pending" indicates that a final disposition of the rate increase request had not been reached as of 06/30/04.
4. An entry of "Request Rejected" means that the subject request did not meet the "minimum submission requirements" of the small company rate increase procedure.
5. Dollar amounts in "Increase" column rounded to the nearest "five."
6. N/A - "Not Applicable."

WATER & SEWER

Requests/Cases Resolved, Pending and/or Submitted

Tracking/Case Number	Company	Status of Request	Increase Granted
ST-2003-0562 WT-2003-0563	Osage Water Company	Proposed Increases Rejected 01/30/04	N/A
QS-2004-0001 (SR-2004-0532)	Timber Creek Sewer Company	Tariff Revisions Effective 07/31/04	\$80,000
QS-2004-0002	Terre Du Lac Utilities	Request Rejected	N/A
QW-2004-0003 QS-2004-0004	Hickory Hills Water & Sewer Co.	Requests Rejected	N/A
QW-2004-0005	Franklin County Water Company	Request Pending	N/A
QS-2004-0006 QW-2004-0007	Willows Utilities Company	Requests Rejected	N/A
QW-2004-0008 QW-2004-0009	Hickory Hills Water & Sewer Co.	Requests Pending	N/A
QS-2004-0010	L.W. Sewer Corporation	Request Pending	N/A
QS-2004-0011 QW-2004-0012	South Jefferson County Utility Co.	Requests Pending	N/A

NOTES:

- (1) The first block of numbers (2002) in the "Tracking/Case Number" column reflects the fiscal year in which the rate increase request/case was originally submitted to the Commission.
- (2) EFIS Tracking Numbers used in lieu of tariff tracking number for small company rate requests submitted after 04/17/02.
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- (4) An entry of "Request Rejected" means that the subject request did not meet the "minimum submission requirements" of the small company rate increase procedure.
- (5) Dollar amounts in "Increase" column rounded to the nearest "five."
- (6) N/A - "Not Applicable"

Natural Gas Utilities Statistics

Calendar Year 2003 (Missouri Jurisdictional)

Name of Company	Mcfs Sold 2003	Operating Revenues (\$)	Residential Customers	Total Customers
Aquila Networks - L&P (1)	740,988	\$ 5,526,503	5,256	6,085
Aquila Networks - MPS (2)	4,569,425	46,501,750	40,527	45,892
Atmos Energy (Associated) (3)	4,612,303	39,886,820	39,125	44,747
Atmos Energy (UC/Greeley) (4)	1,784,781	16,372,816	13,182	14,964
Fidelity Natural Gas, Inc.	241,812	730,002	1,074	1,239
Laclede Gas Company	82,225,679	693,502,698	590,785	631,121
Missouri Gas Energy (5)	55,348,179	516,031,812	440,512	506,437
Southern Missouri Gas Co., L.C. (6)	751,801	8,870,010	6,524	7,251
Union Electric Company (7)	11,768,756	124,211,265	97,551	107,843
TOTALS:	162,043,724	\$ 1,451,633,676	1,234,536	1,365,579

Source: MoPSC FERC Form 2 2003 Annual Reports (Missouri Jurisdictional)

Intrastate Pipelines	Mcfs Delivered	Operating Revenues (\$)	Transportation Customers
Missouri Gas Company (8)	1,872,123	\$ 3,711,334	8
Missouri Pipeline Company (8)	10,674,487	5,654,041	4
TOTALS:	12,546,610	\$ 9,365,375	12

(1) Aquila Inc. d/b/a Aquila Networks, Aquila Networks - L&P

(2) Aquila Inc. d/b/a Aquila Networks, Aquila Networks - MPS

(3) Associated, a division of Atmos Energy Corp.

(4) United Cities and Greeley, a division of Atmos Energy Corp.

(5) A division of Southern Union Co.

(6) Southern Missouri Gas Co., L.C., Tartan Energy Co., L.C.

(7) Union Electric Co. d/b/a AmerenUE Gas Districts

(8) A subsidiary of Gateway Pipeline Company, Inc.

Electric Utilities Statistics

Calendar Year 2003 (Missouri Jurisdictional)

Name of Company	MWhs Sold 2003	Operating Revenues 2003	Residential Customers	Total Customers
Aquila Networks - L&P (1)	1,805,678	\$ 88,978,478	56,809	64,315
Aquila Networks - MPS (2)	5,238,254	309,629,513	192,574	221,935
Citizens Electric Corporation (3)	-0-	-0-	-0-	-0-
The Empire District Electric Co.	3,774,381	242,610,501	113,473	135,426
Kansas City Power & Light Co.	8,256,870	470,668,296	234,170	265,829
Union Electric Company (4)	31,901,036	1,912,591,982	1,017,109	1,170,808
TOTALS:	50,976,219	3,024,478,770	1,614,135	1,858,313

Source: MoPSC FERC Form 1 2003 Annual Reports (Missouri Jurisdictional)

(1) Aquila, Inc. d/b/a Aquila Networks, Aquila Networks-L&P

(2) Aquila Inc. d/b/a Aquila Networks, Aquila Networks-MPS

(3) Citizens Electric Corporation ceased IOU regulation on August 28, 2003

(4) Union Electric Company d/b/a AmerenUE

Steam Utilities Statistics

Calendar Year 2003 (Missouri Jurisdictional)

Name of Company	MMBtus Sold 2003	Operating Revenues 2003	Residential Customers	Total Customers
Aquila Networks - L&P (1)	1,760,194	\$ 6,637,509	0	6
Trigen-Kansas City District Energy Corp.	868,128	7,510,892	0	69
TOTALS:	2,628,322	14,148,401	0	75

Source: 2003 Annual Reports

(1) Aquila, Inc. d/b/a Aquila Networks, Aquila L&P.

Water Statistics

Calendar Year 2003 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Customers</u>	<u>Name of Company</u>	<u>Customers</u>
Missouri -American Water Company	453,875	Suburban Water Company	155
Raytown Water Company	6,730	Stockton Hills Water Company	150
The Empire District Electric Company	4,515	Swiss Villa Utilities, Inc.	140
Tri State Utility Company	2,910	Missouri Utilities Company	135
U.S. Water Company	2,250	Riverfork Water Company	135
The Meadows Water Company	1,085	White River Valley Water Company	130
Terre Du Lac Utilities	1,070	Lakeland Heights Water Company	115
Ozark Shores Water Company	1,055	Rogue Creek Utilities	115
AquaSource/R.U.	990	Kimberling City Water Company	110
Rex Deffenderfer Enterprises	985	Moore Bend Water Company	105
Silverleaf Resorts	900	Midland Water Company	95
I.H. Utilities	710	Woodland Manor Water Company	85
Noel Water Company	650	L.T.A. Water Company	85
Central Jefferson County	560	Evergreen Lake Water Company	80
Taney County Utilities	520	Frimel Water Company	75
KMB Utility Corporation	520	Woodland Heights Utilities	70
Roark Water & Sewer Company	430	Gladlo Water & Sewer Company	65
AquaSource C.U.	420	Shell Knob Estates Utilities **	60
Warren County Water & Sewer Co.**	355	Roy L Utilities	55
Osage Water Company**	350	Whispering Hills Water Company	55
Highway H Utilities	335	Franklin County Service Company	50
Foxfire Utility Company	325	Argyle Estates Water System	50
S.K.&M. Water & Sewer Company	290	Spokane Highlands Water Company	50
Camelot Utility	275	Hickory Hills Water Company	50
Loma Linda Development Company	260	Oakbrier Water Company	45
Emerald Pointe Utility Company	260	Bear Creek Water & Sewer Company	30
South Jefferson County Utility Company	225	Lakewood Manor Limited	30
Willows Utility Company	220	Lake Region Water & Sewer Co.	25
Port Perry Utility Company	220	Lake Northwoods Utility Company	20
Public Funding Corp.-City of Ozark	210	Environmental Utilities, LLC	15
Hillcrest Utilities Company	200	Valley Woods Water Company	15
Gascony Water Company	185	Kimberling Investments, Inc.	3
Peaceful Valley Service Company	165	Middle Fork Water Company	2
Franklin County Water Company	160	Calvey Brook Water Company ***	0

NOTE: Active companies as of 06/30/04, except as noted. Customer numbers as of 09/07/04 based on most recent available data and rounded to the nearest "five" (except for two entries).

** Sold or Sale Pending subsequent to 06/30/04

*** New company

Sewer Statistics

Calendar Year 2003 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Customers</u>	<u>Name of Company</u>	<u>Customers</u>
AquaSource/C.U.	1,525	West 16th Street Sewer Company	135
Terre Du Lac Utilities Corporation	1,040	M.P.B. Inc.	105
House Springs Sewer Company	945	Rogue Creek Utilities	100
Meramec Sewer Company	850	Missouri-American Water Company	100
Cedar Hill Utility Company **	670	Savannah Heights Industrial Treatment	80
Timber Creek Sewer Company	595	Mill Creek Sewer Company	75
Central Jefferson County Utility	560	Taney County Utilities Company	75
Ozark Water & Wastewater Mgmt. **	415	North Oak Sewer	75
Roark Water & Sewer Company	410	Woodland Heights Utilities	70
Silverleaf Resorts	390	Franklin County Service Company	65
Warren County Water & Sewer Co. **	335	Gladlo Water & Sewer Company	65
Osage Water Company **	305	Highway H Utilities	65
P.C.B. Inc	300	WPC Sewer Company	65
Village Water & Sewer	300	S.T. Ventures	65
Meadows Water Company	275	Cannon Home Association	60
Emerald Pointe Utility Company	260	Roy L Utilities	55
South Jefferson County Utility	255	Hickory Hills Water & Sewer Co.	50
Lincoln County Utilities	230	Shell Knob Estates Utilities, Inc. **	50
Willows Utility Company	220	Lake Region Water & Sewer Co.	40
Hillcrest Utilities Company	200	Warren County Sewer Company	35
L. W. Sewer Company	195	Central Rivers Wastewater Utilities	30
KMB Utility Company	190	Bear Creek Water & Sewer Co.	20
Foxfire Utility Company	180	Lake Northwoods Utility Company	20
Stoddard County Sewer Company	170	AquaSource Development Company	15
S.K.&M. Water & Sewer Company	165	Taneycomo Highlands	15
Peaceful Valley Service Company	150	TBJ Sewer Systems	15
Port Perry Service Company	140	Valley Woods Water Company	10
Swiss Villa Utilities	140	Calvey Brook Sewer Company ***	0
Missouri Utilities Company	135	EnviroWater, LLC ***	0

NOTE: Tables compiled 09/07/04 based upon most recent available data from Water and Sewer Department files. Customers rounded to the nearest "five."

** Sold or Sale Pending subsequent to 06/30/04

*** New companies

Contacting the PSC

Missouri Public Service Commission offices are located in Kansas City, Jefferson City and St. Louis. The PSC is open from 8:00-12:00 noon and 1:00-5:00 p.m., Monday through Friday, except on state holidays.

Jefferson City: Missouri Public Service Commission
 Governor Office Building
 200 Madison Street
 (Mailing Address: P.O. Box 360)
 Jefferson City, MO 65102
**Toll-free Consumer Hotline for
 Complaints: (800) 392-4211**
**Manufactured Housing/Modular Unit
 Complaints: (800) 819-3180**
 Other Business: (573) 751-3234
 Fax: (573) 751-1847

St. Louis: Missouri Public Service Commission
 1845 Borman Court
 Suite 101
 St. Louis, MO 63146-4138
 Telephone No.: (314) 340-4680
 Fax: (314) 340-4668

Kansas City: Missouri Public Service Commission
 Fletcher Daniels Building
 615 E. 13th Street, Room G8
 Kansas City, MO 64106
 Telephone No.: (816) 889-3943
 Fax: (816) 889-3957

Web site address: <http://www.psc.mo.gov>

PSC Commissioners Past and Present

<u>Commissioner</u>	<u>Length of Service</u>	<u>Commissioner</u>	<u>Length of Service</u>
John M. Atkinson	1913-1916	Tyre W. Burton	1952-1965
William F. Woerner	1913-1914	Frank Collier	1953-1954
John Kennish	1913-1917; 1920	M.J. McQueen	1954-1956
Frank A. Wrightman	1913-1915	D.D. McDonald	1955-1961
Howard B. Shaw	1913-1917	William Barton	1956-1965
Edwin J. Bean	1914-1925	Frank J. Iuen	1959-1963
Eugene McQuillin	1915-1917	Frank W. May	1961-1967
William G. Busby	1916-1921	Donal D. Guffey	1963-1968
David E. Blair	1917-1920	William R. Clark	1965-1975
Noah W. Simpson	1917-1923	Charles J. Fain	1965-1977
Edward Flad	1917-1921	Howard Elliot, Jr.	1967-1970
John A. Kurtz	1920-1923	Marvin E. Jones	1967-1973
Hugh McIndoe	1921-1923	Willard D. Reine	1968-1975
A.J. O'Reilly	1921-1925	James F. Mauze	1971-1975
Richard H. Musser	1923-1925	A. Robert Pierce, Jr.	1973-1977
Thomas J. Brown	1923-1928	James P. Mulvaney	1975-1977
D.E. Calfee	1925-1929	Stephen B. Jones	1975-1979
Almon Ing	1925-1933	Hugh A. Sprague	1975-1979
S.M. Hutchinson	1925-1931	Charles J. Fraas	1977-1983
J.H. Porter	1925-1933	Leah Brock McCartney	1977-1983
James P. Painter	1928-1929	Alberta Slavin	1977-1981
Milton R. Stahl	1929-1933	Stephanie Bryant	1979-1981
J. Fred Hull	1929-1934	Larry W. Dority	1979-1983
George H. English	1931-1936	John C. Shapleigh	1981-1984
J.C. Collet	1933-1935	Charlotte Musgrave	1981-1988
William Stoecker	1933-1936	Allan G. Mueller	1983-1996
W.M. Anderson	1933-1938	Connie Hendren	1983-1989
Harry E. McPherson	1934-1935	James M. Fischer	1984-1989
Sam O. Hargus	1935-1937	William D. Steinmeier	1984-1992
John S. Boyer	1935-1941	David Rauch	1989-1993
Albert D. Nortoni	1936-1938	Kenneth McClure	1990-1997
John A. Ferguson	1936-1944	Ruby Letsch-Roderique	1990-1991
J.D. James	1937-1942	Patricia Perkins	1991-1995
Marion S. Francis	1938-1941	Duncan Kincheloe	1992-1997
Scott Wilson	1938-1941	Harold Crumpton	1993-2000
Paul Van Osdol	1941-1943	M. Dianne Drainer	1995-2001
Frederick Stueck	1941-1943	Karl Zobrist	1996-1997
Kyle Williams	1941-1952	Robert Schemenauer	1998-2001
Charles L. Henson	1942-1959	Sheila Lumpe	1997-2003
Albert Miller	1943-1944	Kelvin Simmons	2000-2003
Richard Arens	1944-1945	Bryan Forbis	2001-2003
Agnes Mae Wilson	1943-1949	Connie Murray	1997-present
E.L. McClintock	1945-1967	Steve Gaw	2001-present
Morris E. Osburn	1945-1952	Robert Clayton III	2003-present
John P. Randolph	1949-1951	Jeff Davis	2004-present
Henry McKay Cary	1950-1955	Linward "Lin" Appling	2004-present
Maurice Covert	1952-1953		



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