



Missouri Public Service Commission

Commissioners
KELVIN L. SIMMONS
Chair
CONNIE MURRAY
SHEILA LUMPE
STEVE GAW
BRYAN FORBIS

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November 29, 2001

ROBERT J. QUINN, JR.
Executive Director
WESS A. HENDERSON
Director, Utility Operations
ROBERT SCHALLENBERG
Director, Utility Services
DONNA M. PRENGER
Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

The Honorable Bob Holden
Governor
State Capitol Building
Jefferson City, Missouri 65101

Governor Holden:

The Public Service Commission continues to face new and exciting challenges in an ever changing regulatory environment. Our mission, however, remains one of assuring that Missouri consumers receive safe, adequate, efficient and affordable services while allowing those utility companies under our jurisdiction an opportunity to earn a reasonable return on their investment. The Commission and staff are dedicated to fulfilling these public interest goals.

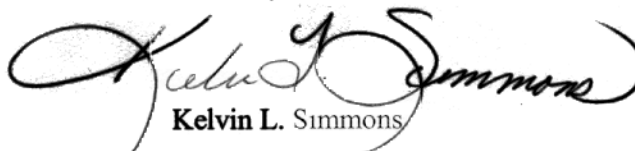
The Commission remains concerned about unusually high natural gas prices last winter and extremely cold weather in November and December of 2000, which resulted in extraordinary natural gas bills. We have been very active in seeking additional federal funding for those who are either currently disconnected from their natural gas service or who face disconnection for non-payment. We have strongly encouraged those currently disconnected to seek reconnection of that service prior to the winter heating season. In addition, the Commission issued an emergency amendment to the Cold Weather Rule in an attempt to help those without natural gas service due to non-payment.

In the midst of the natural gas price crisis of the 2000-2001 winter, the Commission also named a special task force to evaluate the gas cost recovery practices of local natural gas companies. A task force report filed in August provided the Commission with a number of recommendations. The Commission has already directed its staff to move forward on some of these recommendations. A number of these recommendations also have the support of the Governor's energy task force.

Subsequent to the tragic events of September 11, 2001, the Commission quickly opened a case (OO-2002-202) to receive information from Missouri utilities regarding their preparedness for disaster and emergency situations including terrorist threats or attacks. In addition, our staff remains in close contact with various state emergency organizations and continues to closely monitor the situation.

I hope that you will find our report to be informative. I am pleased to submit it to you in order that you can see, in more detail, the Commission's work for the 2001 fiscal year.

Sincerely,



Kelvin L. Simmons



From left to right, Commissioner Connie Murray, Chairman Kelvin Simmons, Commissioner Sheila Lumpe, and Commissioner Steve Gaw.

MISSOURI PUBLIC SERVICE COMMISSION

KELVIN SIMMONS, CHAIRMAN
CONNIE MURRAY, COMMISSIONER
SHEILA LUMPE, COMMISSIONER
STEVE GAW, COMMISSIONER
BRYAN FORBIS, COMMISSIONER*

***Appointed November 1, 2001, by Governor Bob Holden, subject to Missouri Senate approval.**



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

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Key PSC Personnel



Kelvin Simmons, Chairman	751-0946
Connie Murray, Commissioner	751-4132
Sheila Lumpe, Commissioner	751-4221
Steve Gaw, Commissioner	751-3243
Bryan Forbis, Commissioner	751-3233
Robert Quinn, Executive Director	751-2690
Toni Messina, Legislative Coordinator	751-5472
Kevin Kelly, Public Information Administrator	751-9300
Tom Green, Public Information Coordinator	522-2760

Administration Division

Donna M. Prenger, Director	751-7492
Rhonda Byers, Manager - Human Resources Department	751-7508
Todd Craig, Manager - Computer Information Services Department	526-8153
Dan Redel, Manager - Internal Accounting Department	751-2457
Janet Hoerschgen, Manager - Consumer Services Department	751-3160
Gay Smith, Project Manager - Electronic Filing & Information System	751-5526

Adjudication Division

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

Dana K. Joyce, General Counsel	751-8705
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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
Steve Jungmeyer, Manager-Manufactured Housing Department	751-7119

Utility Services Division

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

CURRENT PSC COMMISSIONERS

KELVIN L. SIMMONS

Chairman

Governor Mel Carnahan appointed Commissioner Kelvin L. Simmons to the PSC on May 5, 2000. In July 2001, Governor Bob Holden named Simmons Chairman of the PSC.

Prior to his appointment to the PSC, Simmons was a member of the Kansas City Council. He represented more than 72,000 constituents in Kansas City's 5th Council District.

Chairman Simmons also worked as a senior staff member to the late Governor Mel Carnahan, serving as the Director for Constituent Services from 1993 until 1996. In addition, Chairman Simmons was the State Director for Equal Employment Opportunity in the Office of Administration.

In addition to his Commission duties, Chairman Simmons serves as Secretary of the Missouri Universal Service Board and is a member of the National Association of Regulatory Commissioners (NARUC) where he currently serves on the Electricity Committee. Simmons also serves on the NARUC Committee for International Relations.

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 internationally in Sweden, Finland, South Africa, Hong Kong and Beijing, China.

Mr. Simmons' term expires on April 15, 2005.



SHEILA LUMPE

Commissioner

Sheila Lumpe was appointed to the PSC on June 5, 1997, by Governor Mel Carnahan. In August of 1997, she was named Chair of the Commission and served in that capacity until July 2001.

Prior to her appointment, Lumpe was chair of the House Budget Committee of the Missouri House of Representatives. A nine term state representative, Ms. Lumpe represented St. Louis County in the Missouri House since first elected in 1980. In addition to chair of the House Budget Committee, Ms. Lumpe also served on a number of Legislative committees including the Utilities Regulation Committee. Prior to the Legislature, Commissioner Lumpe served eight years on the University City School Board.

Lumpe is Vice Chair of the Water Policy Roundtable of the PSC. She also serves on the Board of the Missouri Humanities Council, the Gas Committee of NARUC, and on the Advisory Board of the Public Utility Division/Financial Research Institute, University of Missouri.

Lumpe graduated summa cum laude with a baccalaureate degree in government from Indiana University in 1957 and received a master's degree in political science from the University of Missouri-St. Louis in 1989.

Commissioner Lumpe's term expires on April 15, 2003.



CONNIE MURRAY

Commissioner

Commissioner Connie Murray was appointed to a six-year term to the PSC 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 was appointed House Manager of Articles of Impeachment of Missouri Secretary of State before the Missouri Supreme Court in 1994. She served on several committees, including Budget and Judiciary & Ethics. She was treasurer of Women Legislators of Missouri and a member of various national legislative organizations.

Since her appointment to the PSC, Commissioner Murray has participated in a number of state and national utility regulatory organizations.

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 has also participated in various PSC Roundtables. She serves on the Advisory Board of the Public Utility Division/Financial Research Institute, University of Missouri and the Advisory Council for the Center for Public Utilities, New Mexico State University.

Commissioner Murray earned her bachelor of arts degree in English literature from Loyola College in Baltimore, Maryland, where she graduated cum laude in 1975, and a juris doctorate in 1980 from the University of Maryland School of Law where she was Notes and Comments Editor of the Law Review.

Commissioner Murray's term expires in May of 2003.



STEVE GAW

Commissioner

Commissioner Steve Gaw was appointed to the Missouri Public Service Commission on March 2, 2001, by Governor Bob Holden. Following Senate confirmation, Gaw began serving on the Commission on April 2, 2001.

Prior to his appointment, Commissioner Gaw was Speaker of the Missouri House and served as a State Representative of the 22nd District representing Randolph County as well as parts of the Missouri counties of Howard, Chariton and Boone. Gaw was first elected to the Missouri House in 1992, became Speaker in 1996 and served until January 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 their proceedings live over the Internet.

As a legislator and as Speaker, Gaw was a leader on education issues requiring greater accountability in schools and more emphasis on the basics, particularly reading, in the early grades. 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.

Commissioner Gaw graduated summa cum laude in 1978 from Truman State University with a bachelor's degree in physics. He earned a law degree from the University of Missouri-Columbia in 1981. Gaw served as Moberly city prosecutor and practiced law in Moberly with the firm of Schirmer, Suter, & Gaw.

Commissioner Gaw's term expires on January 4, 2007.



BRYAN FORBIS

Commissioner

On November 1, 2001, Governor Bob Holden announced the appointment of Bryan Forbis to a six year term at the Missouri Public Service Commission. Forbis' nomination is subject to Missouri Senate approval.

Prior to his appointment, Forbis served as deputy director for Institutional Services in the Missouri Division of Aging (which recently merged into the state health department to become 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, Mr. Forbis was special assistant to the director in the Missouri Division of Aging/Department of Social Services. He is a 20-year veteran of state government.

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 in political science (public policy) from UMC.

Commissioner Forbis' term expires on April 15, 2007.



M. DIANNE DRAINER

Commissioner

M. Dianne Drainer was appointed on July 3, 1995, by Governor Mel Carnahan. She was named Vice Chair of the PSC in February 1996.

Vice Chair Drainer resigned on May 3, 2001.



ROBERT SCHEMENAUER

Commissioner

Robert Schemenauer was appointed to the PSC on March 6, 1998, by Governor Mel Carnahan. Commissioner Schemenauer was appointed to replace Karl Zobrist who resigned on August 15, 1997.

Commissioner Schemenauer retired from the PSC on March 31, 2001.



BUDGET

Fiscal Year 2002

Public Service Commission

Personal Service	\$ 9,417,895
Expense and Equipment	4,159,414
Program Specific Distribution (PSD)	10,000*
Total	<u>\$ 13,587,309</u>

Full-Time Employees (F.T.E.)	207
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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	\$ 336,548
Expense and Equipment	173,558
PSD	17,935*
Total	<u>\$ 528,041</u>

F.T.E.	11
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TOTAL BUDGET **\$ 19,115,350**

F.T.E. **218**

Budget includes reappropriations and program specific distributions.

* estimated appropriation

Organizational Functions

Executive Director

Robert Quinn, Executive Director

The Executive Director is the PSC's chief operations officer. The Executive Director is responsible for the overall administrative functions and the policy direction of the Staff. The Executive Director also serves as the primary liaison between the Commissioners and the Staff. The Executive Director also oversees the Public Information Office and the PSC's Legislative Coordinator. The Public Information Office develops and distributes press and media information on current PSC activities, maintains the PSC Reports and deals with other media requests. The Legislative Coordinator is the PSC's primary liaison with the Missouri General Assembly and also assists with other education and consumer relations activities.

Adjudication Division

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge

A staff of full-time regulatory law judges is utilized to meet the procedural demands of the large volume of contested cases filed with the Commission. Each case is assigned to a regulatory law judge on a rotational basis. The regulatory law judge prepares the necessary orders for the Commission's issuance which are required to comply with notice and procedural due process requirements to afford full and fair hearings to the parties on matters before the Commission.

It is the duty of the regulatory law judge to take a case through the hearing and post-hearing process and to draft proposed orders based upon the evidence of record.

Administration Division

Donna M. Prenger, Director

The Administration Division is responsible for managing the fiscal, personnel, and information resources of the agency. This Division oversees budget development, strategic planning, internal accounting, procurement, staff services, consumer services, personnel, payroll, information services and training functions for the agency. Consumer Services, with offices in Jefferson City and St. Louis, is the clearinghouse for all inquiries and complaints received by the PSC.



General Counsel

Dana K. Joyce, General Counsel


The Office of the General Counsel represents the Staff and Commission in all matters relating to Missouri utility regulation. Its duties consist of traditional legal work and include providing advice, upon request, to the Commission and each Commissioner. The Office also represents the Commission in actions involving questions under the PSC or other laws, the defense of Commission orders or decisions and, as directed or authorized by the Commission, the intervention in related proceedings and the prosecution of actions on behalf of the state as authorized by law.

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 Utility Operations Division also has oversight of the Manufactured Housing Department's regulation of manufactured home dealers operating in Missouri. The division accomplishes its mission by making recommendations to the Commission in the form of expert testimony and formal recommendations.







Because of its diverse responsibilities, the Utility Operations Division retains a professional staff with expertise in accounting, economics, finance and engineering.

Utility Services Division

Robert Schallenberg, Director



The Utility Services Division consists of five departments and supports the Commission by providing technical expertise in utility finance, accounting and auditing, natural gas procurement, depreciation analysis and management services. Staff members assigned to the Division accomplish their mission by performing audits and/or reviews of the books and records of the utilities. Staff draws conclusions from these findings and makes recommendations to the Commission in the form of expert testimony and formal recommendations. 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 48 rural electric cooperatives and 42 municipally-owned natural gas utilities for operational safety. The PSC also regulates the manufacturers and dealers of manufactured and modular homes.

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 also 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



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

services 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 to comply with statutory time limits.

The PSC Staff

Commissioners are 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 PSC 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.

PSC Electronic Filing and Information System Project (EFIS)

The PSC is in the process of finalizing development and implementation of a state-of-the-art automated solution, otherwise known as the Electronic Filing and Information System (EFIS).

With proper security levels, documents filed with the PSC will be electronically accessible to Commissioners, the PSC Staff, intervenors, utilities and ratepayers providing the opportunity for educated and informed decisions on timely issues.

The PSC is currently testing EFIS to be followed by pilot system testing in a produc-

tion environment, internal and external training and full implementation to occur in the first quarter of 2002.

Baseline Awareness Survey

The Missouri Public Service Commission continues to evaluate and implement information that it received through a baseline awareness survey conducted on the Commission's behalf by the Center for Advanced Social Research at the University of Missouri-Columbia. Over 1,140 telephone interviews were conducted from November 1999 to January 2000. The results of those surveys were released in a report issued in May of 2000.

The survey results indicate that consumers by and large believe Missouri utility services are of an acceptable quality and price. A majority of Missourians profess to know about the Public Service Commission, but there appears to be uncertainty about what the Public Service Commission can do for them.

Clearly, the survey has given the Commission information regarding the need for greater name recognition as well as service recognition. Recommendations contained in the report describe, in detail,



Public Information Administrator Kevin Kelly and Designated Principal Assistant Joyce Neuner receive training on the Electronic Filing and Information System from Project Manager Gay Smith.

how the Commission can increase name and service recognition in the future.

The Commission's Public Education Survey Team continues to work with the University of Missouri-Columbia and a follow-up survey is planned for late fall of 2001.

Local Public Hearings

During fiscal year 2001, the PSC held 14 local public hearings throughout the State to receive customer comment on a number of key issues. Local public hearings were held in Cape Girardeau, Wentzville, Joplin, Rolla, St. Joseph and Chesterfield on issues ranging from rate cases to territorial agreement issues. Public hearings are designed to give affected customers an opportunity to express their views on the case before the PSC. These hearings also give customers an opportunity to bring any service related problems to the PSC's attention.

Public Information and Education

The PSC continues its mission of providing information and education on utility issues to Missouri citizens. During fiscal year 2001, the staff of the PSC's Public Information and Education office produced several informational brochures and flyers to answer questions and concerns about utility issues.

Before, during and after the dramatic increases in natural gas costs for consumers, the PSC provided a pamphlet on why the costs were increasing, what the effect may be and offered resources for customers experiencing financial hardships.

The PSC also produced a flyer emphasizing natural gas safety and the Missouri One-Call system. Other publications highlighted changes and billing information for Missouri's telephone customers; explained the new 7-1-1 Missouri Relay service for speech or hearing impaired individuals who use text telephones; provided resources and informa-



Jacqueline Hutchinson, Energy Crisis Intervention Program Director, testifies before the Commission on the problems her agency experienced from increased natural gas costs.

tion on the purchase of manufactured/modular housing; and offered money-saving tips to help consumers reduce their utility bills.

The yearly culmination of the efforts of the Public Information and Education office is spending 11 days at the Missouri State Fair. The PSC fair booth allows consumers from across the state a chance to speak one-on-one with Staff about any utility problems and "ask the PSC experts" about their utility questions.



Public Information Coordinator Tom Green answered questions at the PSC's 2001 Missouri State Fair booth.

Practice Before the Commission

The Adjudication Division is comprised of the Data Center (formerly known as the Records Department) and the Regulatory Law Judges. The Division Director is both the Secretary of the PSC and the Chief Regulatory Law 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.



PSC Data Center employees, (center & right) Debbie Steck and Melissa Anderson, handle all the filings and records of the commission. Behind them, Michelle Schwartze reviews a tariff filing.

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 nine-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 informative 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 based upon the record which resolves the issue.

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, which was recently ranked the number one mediation center in the United States.

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 generally not admissible at a later hearing or trial.

Chapter 2

This portion of State Regulations contains the Missouri PSC's rules and the procedural require-

ments for pleading and practice before the PSC. These are the “rules of court,” for practice before the PSC and contain filing requirements, evidentiary rules, as well as many other procedural rules and requirements for contested cases and for rulemaking procedures. The PSC has worked to reduce the filing burden on all parties who appear before the PSC. In several places the filing requirements have been reduced so that the amount of paper filed with the PSC has been significantly reduced. In addition, this chapter is filed and has been published by the Missouri Secretary of State.



Chief Regulatory Law Judge Dale Roberts consults with Research Attorney- Law Clerk Aimee D. G. Davenport to clarify a Missouri utility statute in preparation for an upcoming order.

List Serve

On May 1, 1999, the Adjudication Division initiated an interactive mail delivery service (generically referred to in computer circles as a “list-serve”) for the purpose of delivering the PSC Agenda, hearing schedule(s), orders and other documents to various interested parties. This service provides free access to visitors by providing a Web-based email list management system. The software collects visitor email addresses automatically, sends email to all pre-subscribed parties on the mailing list with just one click, manages the mailing list and conveniently stores all issued messages for reference or re-use. This allows the Adjudication Division to

ensure mass, and immediate, electronic distribution of any order, notice or other document to all recipients and eliminates the delay and cost which is inherent in regular delivery of the paper copy. Any interested person may subscribe to this service, at no cost, by visiting the PSC’s web page at:

<http://www.psc.state.mo.us/>.



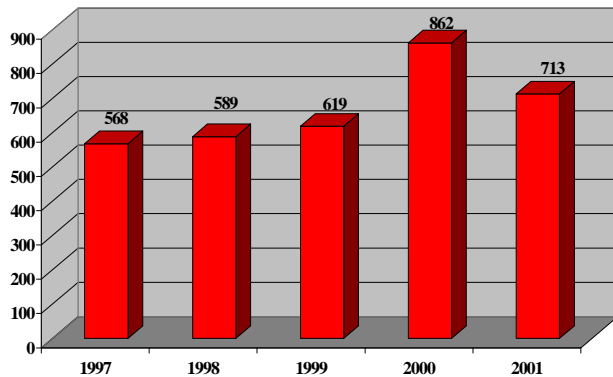
Commissioner Connie Murray and Regulatory Law Judge Kevin Thompson (seated at center table), listen to testimony at a PSC public hearing.

Utility Issues

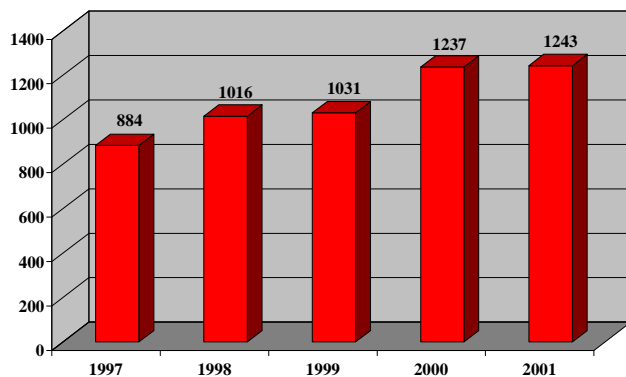
Change continues to occur in utility industries, and with that change, the workload of the Missouri Public Service Commission continues to grow as the PSC evaluates and implements competition.

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.

PSC Cases Per Year



Tariff Filings Per Year



Telecommunications

Metropolitan Calling Area Service

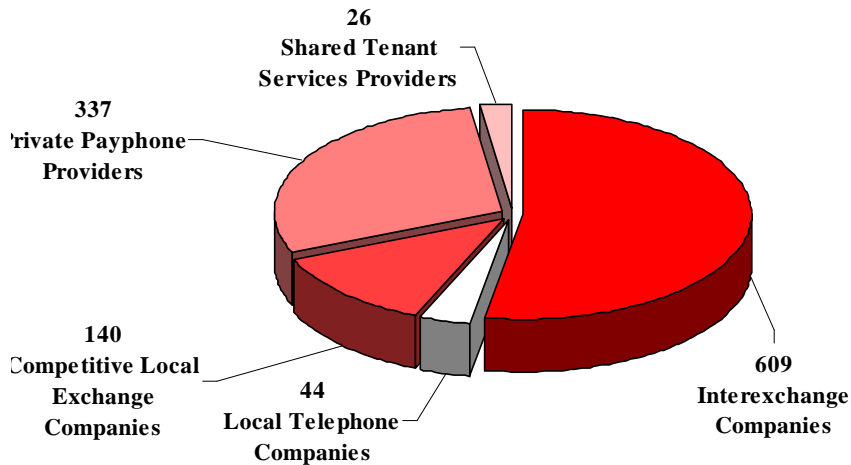
On January 18, 2001 the Commission established an industry task force to investigate matters pertaining to the Metropolitan Calling Area (MCA) service. MCA is a service allowing expanded local calling in the Kansas City, Springfield, and St. Louis areas. Among other matters, the Commission charged the task force with investigating the effects of expanding the MCA on the price currently charged for MCA service. The task force is composed of the PSC Staff, the Office of Public Counsel, and representatives of new competitive and traditional incumbent local telephone companies in Missouri.

The task force issued a preliminary report on April 18, 2001 and a further status report on August 24th. A final industry task force recommendation is scheduled to be released by the end of October 2001. Upon reaching its conclusions, the task force is expected to present the Commission with information which can be used to calculate the financial impact on consumers if the MCA calling area is expanded.

As a result of a recommendation by the industry task force, a listing of MCA NXX codes (also known as telephone prefixes) has been posted on the Commission's website. Posting of MCA NXX codes allows telephone companies and other interested users (such as PBX system operators) to know the proper MCA codes for programming and call-routing purposes. Due to the many new competitive local telephone companies operating in the MCA areas, the industry task force believes posting minimizes MCA NXX code confusion and reduces the possibility of misrouted telephone calls within the MCA.

The industry task force also formed a consensus to include all NXX codes in the mandatory MCA areas as MCA NXX codes, regardless of the code holder. Including all codes in the mandatory area as MCA codes enables MCA subscribers in the optional MCA areas to call all telephone numbers in the mandatory areas, including calls to wireless carriers, paging companies, and all competitive local exchange carriers. A consensus was formed within the industry task force that this method would minimize consumer inconvenience.

Certificated Telecommunications Providers



Competition for Basic Local Telephone Service in Missouri

Competition for basic local telephone service in Missouri is most noticeable among business customers. Although most competition is primarily located in Missouri's major metropolitan areas, some competition does occur in more rural areas as well. Since the Commission first authorized basic local telephone competition in January 1997, a total of 80 competitive basic local telephone companies now operate in Missouri. Pursuant to state law, the Commission is currently evaluating the extent to which effective basic local telephone competition exists in Southwestern Bell Telephone Company's area. In the future, similar investigations are expected to occur for Sprint and Verizon.

Competitors provide basic local telephone service through one of three ways: (1) through resale of the incumbent's facilities, (2) through the use of a portion of the incumbent's facilities (called Unbundled Network Elements) or (3) in some circumstances through the use of the competitor's own telephone or cable television distribution facilities.

As of July 2001, it is estimated that competitors provide service over 408,000 telephone access lines in Missouri, or approximately 12% of Missouri's approximately 3.4 million access lines.

Southwestern Bell's Application to Provide InterLATA Long Distance Service in Missouri

Before Southwestern Bell Telephone Company (SWBT) is permitted to enter into the long distance market, the Company must satisfy requirements of the federal Telecommunications Act of 1996 (Act). Pursuant to the Act, the various state utility commissions are required to conduct an evaluation to determine if SWBT has opened its local telephone

markets to competition in each state where it operates. In addition to public interest standards, the Act requires an evaluation of the congressionally mandated 14-point market opening checklist. Although the Federal Communications Commission (FCC) has the final authority, the FCC is required to consult and give substantial consideration to the recommendations of the state commission as well as to the United States Department of Justice (DOJ). Once state and federal authorities have determined that SWBT has met the federally mandated 14-point checklist of market opening conditions, SWBT would be allowed to provide long distance service in Missouri.

After a thorough and extensive investigation, the Missouri Commission on March 15, 2001, recognized SWBT's market opening efforts and approved SWBT's application to provide long distance service in Missouri. After receiving this approval, SWBT filed its long distance application with the FCC on April 4, 2001. Due to federal court rulings and other circumstances that occurred after SWBT's application was evaluated by the Missouri PSC and after the DOJ requested the FCC conduct an independent appraisal of SWBT's Missouri prices, SWBT withdrew its FCC long distance application on June 7, 2001.

In recognition of the concerns expressed by the DOJ and other parties, as well as to re-evaluate more recent federal court rulings, SWBT agreed to reduce certain prices it charges to competitors for the use of portions of SWBT's network. After reducing prices

for some items and making other changes to conform to court rulings, SWBT re-filed its long distance application on August 20, 2001. SWBT's application to provide long distance service in Missouri is currently pending before the FCC. If approved, Missouri would join New York, Massachusetts, Kansas, Oklahoma, and Texas as states in which a Bell Telephone Company is authorized to provide long distance service.

Telephone Company Rate Cases in Fiscal Year 2001

The Commission conducted earnings investigations involving eight telephone companies during 2001. Those companies and a brief description of the results of each earnings investigation are as follows:

Green Hills Telephone Company – The Company reduced 911 trunk rates to \$25.00, expanded its local calling to the Richmond community, reduced terminating access rates, made permanent the interim Carrier Common Line (CCL) rate, adopted new depreciation rates, and eliminated an annual amortization amount of \$156,000 from Case No. TM-99-523.

IAMO Telephone Company – The interim CCL rate was made permanent with no refunds, and new depreciation rates were adopted.

Peace Valley Telephone Company – New depreciation rates were adopted and reductions were made to origination and termination access rates.

Holway Telephone Company – New depreciation rates were adopted, reductions were made to originating and terminating access rates and to the existing rates for business and residential basic local telephone service. In addition, the Company implemented new custom calling options and eliminated the charge for touchtone service.

KLM – Interim CCL rates were made permanent and new depreciation rates were adopted.

Oregon Farmers Mutual Telephone Company – New depreciation rates were adopted, switched access rates were restructured and the Company was ordered to complete work on the purchase and installation of circuit equipment by June 30, 2001.

Northeast Missouri Rural Telephone Company – Interim CCL rates were made permanent, access rates were increased and new depreciation rates were adopted.

Ozark Telephone Company – Rate reductions were made to switched access service. Expanded local calling provided to exchanges served by the Goodman and Seneca Telephone Companies.

Revision and Update of PSC Telecommunications Rules

The PSC has proposed the following revisions to its rules regarding telecommunications service:

Chapter 32 – Telecommunications Service

This rule establishes customer disclosure requirements such as point-of-sale materials, which outline all charges incurred when placing a call using a carrier's prepaid calling card. The rule would also require the company to provide notice to the Commission and customer when ceasing operations and would require the company to establish refund policies for services that are rendered unusable beyond the consumer's control. All telecommunications carriers offering prepaid calling card service in Missouri must comply with this rule by March 2002.

Chapter 33 – Service and Billing Practices for Telecommunications Companies

The PSC is proposing revisions to this rule that closely match the FCC's Truth-in-Billing Rules. The proposed revisions should allow consumers to better understand their telecommunications bills, give consumers the ability to control what type of calls are made from their telephone and allow consumers some control over what charges are found on their bill.

Consumer Outreach Programs

The PSC continues to update the “Show-Me-Rates” price comparison center web site <http://www.psc.state.mo.us/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 also includes telecommunications-specific information to keep the public and industry informed. Such things as LATA maps, area code maps, access rate structures and contact information for competitive local exchange companies can be located under the Telecommunications section of the web page.

The PSC developed brochures to assist consumers in “Understanding Telephone Numbers and Area Codes.” These brochures were distributed at events such as the Missouri State Fair.

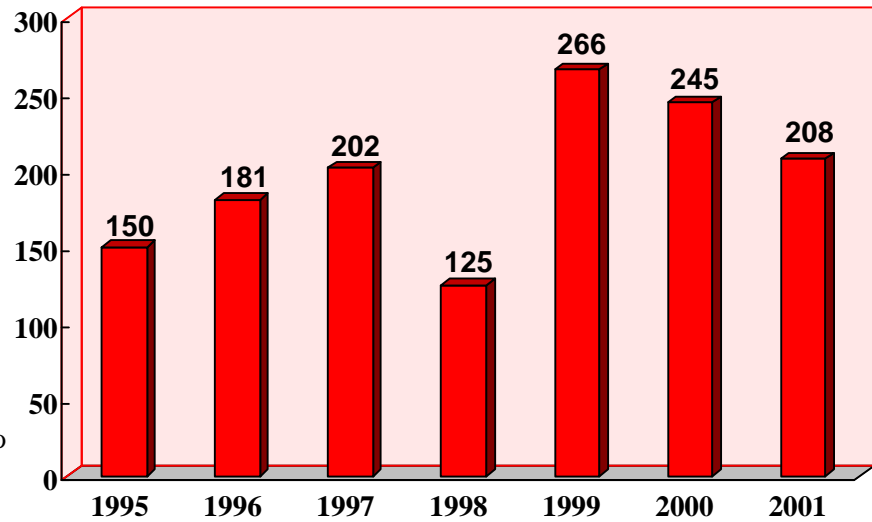
Future endeavors include consumer outreach programs to inform consumers of Lifeline and Link-Up low-income assistance programs for telecommunications services.

Federal Telecommunications Activity

The PSC continues to actively monitor federal telecommunications activity at the FCC and other state commissions. During the past year, the FCC has reviewed and/or acted upon major issues such as the jurisdiction of Internet traffic, intercarrier compensation for Internet traffic, access charge reform for rural telecommunications carriers, number conservation issues and various topics for proposed legislation.

The PSC filed comments in proceedings before the FCC on such issues as technical requirements for a national thousand-block pooling administrator and access charge reform. In March 2001, the FCC

Number of Telecommunications Certificates Granted



granted the PSC additional delegated authority to implement number conservation measures. The PSC continues to monitor the need for conservation measures in Missouri such as implementation of new area code overlays and state thousand-block pooling trials.

Interconnection Agreements

Interconnection Agreements are negotiated or arbitrated “contracts” between two telecommunications carriers. The PSC recently conducted arbitration proceedings between AT&T Communications of the Southwest, Inc. and Southwestern Bell Telephone Company addressing such issues as rates, terms and conditions for unbundled network elements, physical network interconnection and operations support systems.

While evaluating Southwestern Bell’s application to provide interLATA toll service in Missouri, the PSC identified several areas that need further investigation. Four cases were established to determine Southwestern Bell rates, terms and conditions for collocation (the placement of a competitive local exchange company’s equipment in the offices of Southwestern Bell), DSL conditioning (the preparation of telephone lines to allow advanced services such as high-speed Internet access), line sharing/line splitting (the ability to “split” a

consumer's telephone line to allow voice service and advanced services such as high-speed Internet access over the same line) and unbundled network elements (the various components of Southwestern Bell's telephone network a competitive local exchange carrier purchases to provide telecommunications service to consumers). These cases are expected to continue through year-end 2001.

Toll Dialing Parity

Toll Dialing Parity, also referred to as Equal Access, allows a customer to pre-select the long distance company used to carry the customer's 1+ dialed and 0+ dialed long distance calls. InterLATA Dialing Parity had been established earlier in Missouri, and IntraLATA Toll Dialing Parity (ILDLP), sometimes called "Local Long Distance," soon followed in most of Missouri. ILDLP had been received in all remaining Missouri telephone exchanges by December of 2000.

To compensate for changes in their revenue flows or to reimburse certain costs following the implementation of ILDLP, some Missouri LECs applied a temporary surcharge to the rates charged to long distance companies. The revenues from these surcharges are subject to review, and various rates are being adjusted after analysis by the Commission.

Telephone Numbers

During the past year, the Commission ordered telephone number relief in the form of an all services overlay for the 314 (St. Louis) and 816 (Kansas City) area codes. When an overlay is introduced, a new area code "overlays" the existing geographic area. Only new telephone lines receive the new area code. All customers must dial 10-digits to make a local call. The new area codes of 557 and 975 are expected to be eventually introduced in the 314 and 816 area codes, respectively. At this time, due to a decline in the usage of new telephone codes and the return of unactivated blocks of telephone numbers, the introduction of the new area codes has been postponed.

The Commission also ordered rate center consolidation in the Kansas City area. In March 2001, the exchanges of Gladstone, Independence, Parkville,

Raytown, South Kansas City, East Independence, and Tiffany Springs were consolidated into the Kansas City exchange. In addition, the exchange of Nashua was consolidated into the Liberty exchange.

Telephone number pooling is being pursued at the national and state levels. Telephone number pooling refers to distributing telephone numbers to telephone carriers in blocks of 1,000 telephone numbers rather than blocks of 10,000 telephone numbers. The FCC appointed NeuStar as the National Pooling Administrator in June 2001. The FCC has established a national pooling rollout schedule divided into three-month segments. The first round of the national rollout implementation schedule is to begin in March of 2002. Telephone number pooling is expected to be implemented in the 314 and 816 area codes as a means of further extending the life of these area codes.

The Telecommunications Department continues to investigate code usage, reclaiming of unused telephone numbers, and implementation of number conservation.

Relay Missouri

The PSC, in cooperation with telephone service providers throughout the state, implemented 711 dialing to reach Relay Missouri. By dialing 711, Relay Missouri users can now be connected to a Relay Missouri communications assistant to place a call. The toll-free numbers will continue to work, however, for those who prefer to continue to use them. The toll-free number is 1-800-735-2466, the TTY/ASCII number is 1-800-735-2966 and the new Spanish number is 1-800-855-4000.

In March, the Commission lowered the monthly surcharge from 13 cents to 9 cents to ensure that revenues generated better reflect expenses to administer the fund.

New this year is a service called Speech-to-Speech. This allows persons with speech disabilities to use Relay Missouri to place and receive calls. Speech-to-Speech users' calls are routed to a Communications Assistant (CA). The CA then relays the content of the users' call to the called party the same as in any other Relay Missouri call. The numbers to reach Speech-to-Speech directly are 711 or 877-735-7877.

Technical Services

The Technical Services Section has a variety of responsibilities, most notably the responsibility of monitoring the quality of telephone service in Missouri. Quality of service standards for telecommunications companies are identified in Commission rule 4 CSR 240-32. The Commission's quality of service standards are intended to ensure customers receive a reasonable level of telecommunications service. Compliance with Commission quality of service telecommunications standards is monitored by the submission of quarterly quality of service reports by telephone companies. In addition, audits are performed on company facilities to independently measure a company's quality of telecommunications service. In the past year the Technical Services Section participated in telephone related cases, providing technical telecommunications expertise. A significant amount of time was also spent providing technical assistance to help resolve consumer complaints involving telecommunications matters.

Future Activity: Missouri Universal Service Fund

The Commission has attempted to address issues related to implementing a Missouri Universal Service Fund. If implemented, the fund would provide financial assistance to basic local telephone companies in order to provide discounted local phone service rates to qualifying low-income and disabled customers. The fund would also provide financial assistance to qualifying basic local telephone companies in serving high cost areas of Missouri. Over the past year, several meetings were held to resolve issues related to the establishment of a Missouri Universal Service Fund.

Investigation into the Costs of Providing Switched Access Services

The Commission has established a docket to investigate the costs of providing switched access services. Switched access services are those rates charged by local telephone companies to long distance companies for use of local telephone company facilities in originating and terminating long distance toll calls. Switched access service rates can impact the toll rates charged by long distance companies because switched access expense can represent a significant cost of providing long distance service. The PSC Staff anticipates filing a report in late 2001. It is anticipated after this report is filed, hearings will be held.



PSC staff inspect a "Remote Terminal" unit belonging to Kingdom Telephone Company near New Bloomfield, MO. Pictured left to right: Ron Whanger, Facilities Manager-Kingdom Telephone Company, and PSC Utility Operations Technical Specialists Mick Johnson and Larry Henderson.

NATURAL GAS

Impact of Higher Natural Gas Prices During Fall/Winter of 2000 - 2001

Unexpected natural gas price increases and the coldest November and December ever recorded prompted the PSC to issue informational materials and general press releases alerting the public to these increases and corresponding high gas bills.

The cold weather and high natural gas prices contributed to record gas bills. The wholesale price of natural gas hit a peak of \$9.98 per MMBtu for January 2001. This price quadrupled the price of natural gas for January 2000. These dramatic price increases caused most LDCs (Local Distribution Company) to make unscheduled Purchased Gas Adjustment (PGA) filings in January. Most LDCs had significant under-collections during this time, causing some to institute the Unscheduled PGA Filing Adjustment (UFA) allowing them to recover \$.05 per Ccf of under-collected gas costs from their customers.

The PSC Staff conducted several public information meetings on these matters in the state including Kansas City and St. Peters. High gas prices prompted the establishment of a number of task forces. The Commission formed a natural gas task force designed to look at the current gas purchasing practices of the LDCs and the way the Commission regulates these practices. In addition, the Governor's office formed a task force seeking answers and remedies relating to the high cost of natural gas.

Natural Gas Commodity Price Task Force

In response to the extraordinary weather and natural gas price spikes of the winter of 2000 – 2001, the PSC created a Natural Gas Commodity Price Task Force on January 23, 2001. This task force was created to investigate the process for the recovery of natural gas commodity cost increases

by LDCs from their customers and to discuss options. Interested parties were invited to apply for membership on the task force and all groups expressing an interest were granted representation. Stakeholders on this task force included: representatives from state and local government, concerned citizens, the PSC Staff, Office of the Public Counsel, the Department of Natural Resources Energy Center, regulated natural gas utilities, municipal natural gas providers and independent consultants.

The task force held six public meetings around the state between April and June of 2001 and four working meetings between April and July of 2001. The result of these efforts was a 100 page report that provided an assessment of what happened to natural gas prices during the 2000 – 2001 winter, the impacts of those prices on natural gas consumers, a policy statement, and 11 recommendations to the PSC.

Incentive Regulation

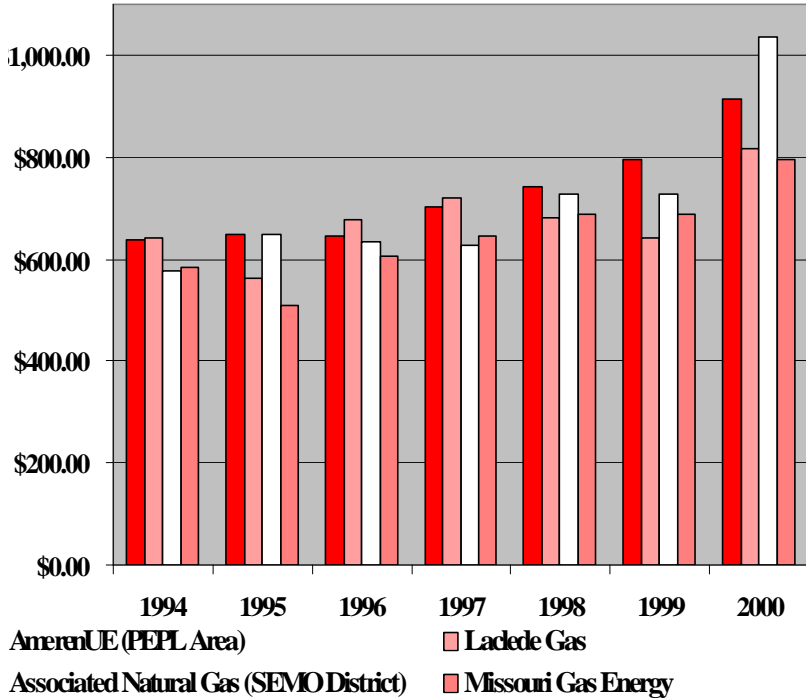
After extensive hearings, the Commission, on September 20, 2001, voted to let Laclede Gas Company's Experimental Gas Supply Incentive Plan (GSIP) expire. The Commission stated that Laclede

did not sustain its burden of proof that the GSIP strikes a proper balance between ratepayers and shareholders. The goal of the plan was designed to benefit both Laclede and its ratepayers. The Commission stated



Warren Wood, Manager of the PSC Energy Department, speaks at a public meeting held to seek solutions to the hardships experienced by Missouri residents when natural gas prices skyrocketed last year.

Residential Natural Gas Heating Customer Annual Usage at 120 Mcf (Dth)



that the GSIP generated large profits for Laclede Gas Company last winter, but did not create significant savings on the demand cost of gas for its customers. The Commission indicated that pre-approval as requested by Laclede could discourage Laclede from taking opportunities to secure fixed price contracts

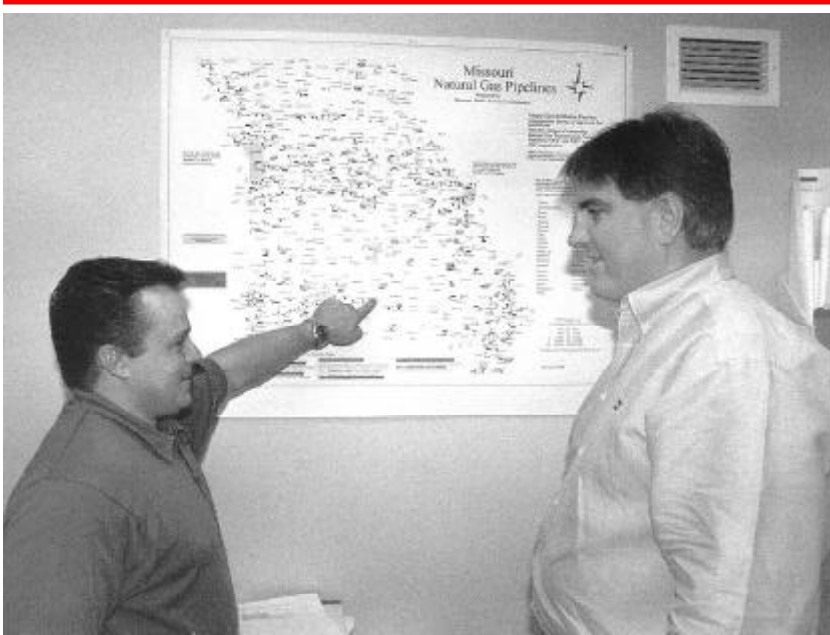
that would produce reasonable price protection for its customers. Laclede's GSIP expired by its own terms on October 17, 2001.

AmerenUE's Rate Case

On February 18, 2000, AmerenUE filed revised rate schedules designed to increase annual natural gas revenues by approximately \$12 million. After reviewing testimony and documents filed in the case including an agreement reached by the parties, the Commission approved an increase of approximately \$4.2 million in annual natural gas revenues on October 17, 2000. Under the agreement, a typical residential customer's bill would increase by about \$3.00 per month. AmerenUE serves approximately 106,000 gas customers in Missouri.

MGE Rate Case

On November 7, 2000, Missouri Gas Energy (MGE) filed revised rate schedules designed to increase natural gas revenues by approximately \$39.4 million a year. The Commission, after reviewing testimony and documents filed in the case which included an agreement reached by parties in this case, approved an annual revenue increase of approximately \$8.9 million on July 5, 2001. Under the agreement, a typical residential customer's bill will increase by about \$1.50 per month. As part of the agreement, MGE will expand its weatherization program, which benefits low-income customers. In addition, a new experimental low-income rate will be implemented in the Joplin area. The experimental two-year program will provide financial assistance to a maximum of 1,000 low-income families. Participants in the experimental plan will receive bill credits of either \$20 or \$40 a month, depending on income.



Mike Loethen (left) and Bob Leonberger of the PSC Pipeline Safety Department examine natural gas service area maps for a pending inspection.

AmerenUE Incentive Plan

On May 31, 2001, the Commission approved an extension, with modifications, of a natural gas supply incentive plan or GSIP for AmerenUE. This extension is intended to be a transition from the old GSIP to the type of incentive plan outlined in the Natural Gas Commodity Price Task Force report. As such, modifications include a cap on the amount of incentives that AmerenUE can receive, a requirement that AmerenUE report its gas supply activities, and an agreement that the Company will not seek an extension to the GSIP, in its current form, after the end of the extension period (May 31, 2002).

Underground Utility Damage Prevention Legislation

During the fiscal year, the PSC Staff worked with Missouri One-Call Systems (MOCS) personnel, numerous underground utility operators, and representatives of excavation contractors to gain support for improved damage prevention legislation. House Substitute for House Committee Substitute for House Bill No. 425 was passed by the 91st General Assembly. This legislation establishes a true one-call system in the state. All owners of underground facilities in

Missouri are required to be members of the MOCS. With one call, a person planning to make an excavation can have all the underground facility owners in the area of a proposed excavation notified and facilities located. Governor Holden signed the legislation

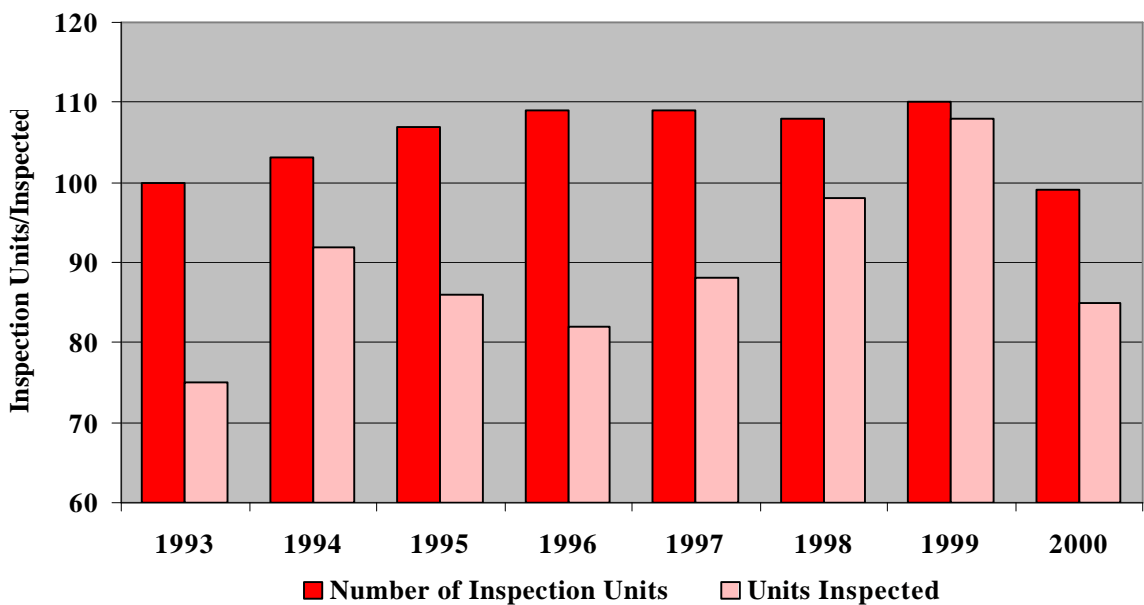
which took effect on August 28, 2001. Prior to this law, owners of natural gas facilities were required to participate in the MOCS. However, underground facility owner participation was voluntary. Universal participation will increase public safety by better protecting Missouri's underground infrastructure.

Underground Damage Prevention Programs

In 1999, the PSC Staff participated in an unprecedented national study of Damage Prevention Best Practices, sponsored by the Federal Office of Pipeline Safety (OPS). Published in August of 1999, the "Common Ground: Damage Prevention Best Practices Report" contains key elements to successful damage prevention programs. Damage prevention work on a national level continues through 'Common Ground Alliance'. The PSC Staff participates in this national initiative which works to reduce damage to underground facilities.

A group of Missouri stakeholders formed 'Missouri Common Ground' (MCG) with the mission of identifying and promoting the "best practices" to prevent underground facility damage. PSC Gas Safety/Engineering Staff are a part of the Steering Committee

**Missouri Jurisdictional Gas Utilities
Inspection Units - Gas Safety**



of MCG and have facilitated the formation of several Regional Damage Prevention Councils throughout Missouri. Regional Damage Prevention Councils are intended to provide a forum to promote communication and education, improve policies, improve coordination, form guidelines, as well as enhance Missouri's damage prevention statute.

Missouri Association of Natural Gas Operators

MANGO (Missouri Association of Natural Gas Operators) is a nonprofit organization of natural gas operators. These operators work with the Missouri Public Service Commission's Gas Safety/Engineering



Workers for AmerenUE install state-of-the-art plastic natural gas pipeline as part of a replacement program. The new pipe is expected to eliminate corrosion problems underground.

Staff to enhance operation of natural gas utilities. MANGO works with the PSC Staff to review existing regulations, clarify interpretations, as well as to provide support in developing new regulations.

The goal is to work together to address potential hazards such as directional drilling, defective

materials and other various issues that arise, as well as foster continuing dialog to operate the natural gas systems in the state as safely as possible. The PSC Staff and MANGO conduct annual meetings to stay

abreast of current issues, trends in the industry, and other issues affecting the operators' operations. These meetings provide excellent training, learning, and educational opportunities for all involved.

Federal Natural Gas Activities

Decisions by the Federal Energy Regulatory Commission (FERC) directly impact Missouri ratepayers since Missouri's LDCs 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 six or so upstream pipelines used by Missouri LDCs. The PSC actively participates in many proceedings, company-specific and generic, focusing on those having the greatest importance to Missouri.

The three pipelines providing a majority of the state's natural gas are: Mississippi River Transmission Corporation (MRT), Panhandle Eastern Pipe Line Company (Panhandle), and Williams Gas Pipelines-Central (Williams). MRT serves the eastern side of the state, including St. Louis. Panhandle traverses the central part of the state while Williams serves western Missouri, including the Kansas City, St. Joseph, Springfield and Joplin areas and a limited portion of St. Louis.

Kansas Ad Valorem Tax Refunds

Since 1989, the PSC has been aggressively seeking refunds of Kansas ad valorem taxes unlawfully collected from consumers. During 1994-95, Missouri ratepayers received nearly all of the \$13 million in refunds owed for the 1989-93 time period. The PSC continues to pursue the remaining \$.5 million in refunds due Missouri customers. However, as of June 30, 2001, only \$7.3 million of the estimated \$60 million in additional refunds (for 1983-88) has been received by Missouri consumers.

The PSC has actively participated in all court appeals seeking review of FERC's ad valorem tax orders. On October 29, 1999, the U.S. Court of Appeals issued a very favorable decision (D.C. Cir.

Case No. 98-1227), which upheld FERC's denial of producer requests for a generic waiver of the accrued interest on refunds.

The decision also required additional amounts be paid by producers, relating to ad valorem reimbursements received by them after October 1983. However, the recovery of refunds from producers has been complicated by the Court's unfavorable December 9, 1999 decision, which upheld FERC's method of making several thousand working interest owners liable for their individual share of refunds and rejected the PSC's challenge to hold a consolidated number of "contract first sellers" liable for the refund obligations.

In October 1999, the PSC filed settlement offers in Williams and Panhandle refund Docket Nos. RP98-52 and RP98-40, respectively. These offers were designed to provide relief to small producers from their refund liability, and to reduce many of the administrative problems associated with FERC's refund collection procedures.

The PSC, Williams, Missouri Gas Energy and a large number of smaller working interest owners filed a Superseding Settlement Offer on August 7, 2000.

This Superseding Settlement sought to eliminate the administrative burdens associated with pursuing 5% of the total refunds owed from over 300 small working interest owners and operators, thereby allowing negotiations to focus on the remaining 35 producers, owing 95% of the refunds on the Williams system. In December 2000, FERC approved the Superseding Offer, with related refunds of \$1.2 million being paid to Williams' Missouri jurisdictional customers in September 2001.

As the result of further negotiations, settlements seeking final resolution of all Kansas ad valorem tax refund issues were filed in the Williams (February 2001) and Panhandle (June 2001) dockets. In both refund dockets, the PSC agreed with provisions settling small-to-medium-sized refund obligations, but opted-out of settlement provisions granting 25% waivers on

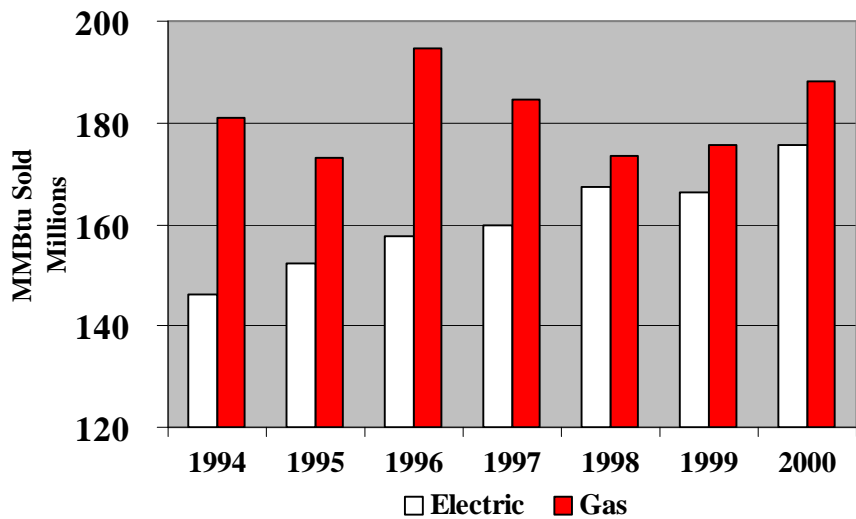
producers' large refund obligations. If the PSC is unable to negotiate a lesser, more reasonable waiver with the large producers, it will continue to litigate to obtain full refunds from these producers.

Mississippi River Transmission Corporation (MRT)

MRT, in its 1999 annual fuel use and loss rate filing, sought to recover from St. Louis and other eastern Missouri consumers approximately \$10 million of gas losses it incurred during the period November 1993 through June 1998. The PSC opposed the flow through of these out-of-period gas losses. During the pendency of this proceeding, FERC has vacillated as to whether MRT should be permitted recovery of these fuel losses from customers. In a May 31, 2001 order, FERC set this matter for hearing, while also directing parties to also participate in settlement discussions under the auspices of a FERC settlement judge.

In March 2001, MRT filed a rate case seeking a rate increase (18% for Missouri customers), to become effective October 1, 2001, subject to refund. In its protest, the PSC urged FERC to reject MRT's market-based rates, capacity turnback, and modifica-

Missouri Jurisdictional Electric and Gas Utilities MMBtus Sold



tion to right-of-first-refusal proposals, which the FERC did. The hearing for remaining issues is set to begin during January 2002. Since May 2001, considerable time has been spent on discovery efforts and settlement discussions for this case.

Kansas Pipeline Company (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 rates in May 1998, which were significantly higher than what the PSC believed reasonable. As the result of a favorable U.S. Court of Appeals decision in the PSC's appeal of these FERC orders (Case No. 99-1203), Missouri customers could receive refunds once the FERC issues a final order on remand.

In August 1999, KPC filed a new rate case (Docket No. RP99-485) seeking to maintain or slightly increase the initial rates FERC had approved in May 1998. The PSC used six of its staff to present expert testimony in this case seeking a \$20 million reduction to KPC's annual cost-of-service. Despite efforts to negotiate a settlement in this matter, the case went to hearing in September 2000. A July 2001 Judge's decision found significant reductions to KPC's filed cost-of-service to be necessary. However, rate changes will not occur until FERC issues final orders reviewing various aspects of the Judge's decision.

Williams Gas Pipelines-Central (Williams)

Resolution with respect to the one remaining issue in Williams' rate case (Docket No. RP93-109) came when Missouri customers received approximately \$750,000 in refunds from insurance proceeds related to Williams' environmental cleanup claims.

Also, the PSC actively participated in Docket No. RP01-298, seeking to have minimum delivery pressures defined in Williams' tariff, so as to protect customers' service quality. PSC concerns were satisfactorily addressed in a Stipulation and Agree-

ment filed July 30, 2001. Parties await FERC approval of that settlement.

FERC Order No. 637 and Other Proceedings

In February 2000, FERC issued Order No. 637 amending its regulations, policies and procedures to improve the competitiveness and efficiency of natural gas transportation markets. FERC directed pipelines to make changes to their tariffs implementing the capacity release, right-of-first-refusal, penalty, and other aspects of the Order's provisions.

The PSC continues to monitor the various compliance dockets for pipelines serving Missouri. As of September 2001, only Ozark Gas Transmission (which carries a portion of southeast Missouri gas supplies), has received a FERC order on its compliance filing. The remaining pipeline companies are continuing in efforts to offer settlements with respect to these issues. The PSC filed comments expressing concern with several aspects of the settlement filed by Panhandle on July 31, 2001.

The PSC has also analyzed and submitted comments in several cases where pipeline companies were seeking to implement or modify negotiated rate and service tariffs.



Energy Department Utility Engineering Specialist Greg Macias takes a cathodic protection reading at a natural gas regulator station. The reading measures pipeline voltage potential, which is used to help mitigate corrosion.

ELECTRIC

Missouri Electric Rates

Through the efforts of Missouri's electric utilities and the PSC, all classes of Missouri customers have benefited from low electric rates. The United States Energy Administration, a non-partisan office in the federal Department of Energy, annually ranks states according to their average rates in cents per kilowatt-hour. For 2000, Missouri's electric rates for residential, commercial and industrial customers were better than the national average (see tables on this page).

Federal Activity in Electricity

This past year has been one of development of Regional Transmission Organizations (RTOs). In its Order No. 2000, issued in January of 2000, FERC required all utilities under its jurisdiction to file by October 15, 2000, indicating which RTO they intended to join. In Missouri, Kansas City Power and Light Company and Empire District Electric Company indicated that they would join the Southwest Power Pool RTO (SPPRTO). UtiliCorp indicated that on behalf of Missouri Public Service, it would join the Midwest Independent System Operator (MISO). Ameren indicated that on behalf of Union Electric Company, it would join the Alliance RTO (ARTO). Since October, the SPPRTO and MISO are in the process of working out a merger and the MISO and ARTO have reached a settlement agreement that hopes to provide transmission customers with a virtual, single RTO in the Midwest region.

The Commission is highly involved in the development phases of these three RTOs. The formation and development of RTOs is crucial to the scope and structure of regional markets in electricity. This includes two fundamental areas of concern. First is how markets are designed to manage congestion on the transmission network within a region. Second is how the RTOs manage electricity flows across seams at their boundaries.

- Market design issues deal with whether transmission rights will be physical rights that entitle the holder to use the transmission system, or financial rights that

RESIDENTIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	14.30	1
New Hampshire	13.84	2
New York	13.32	3
California	10.71	9
Illinois	8.83	14
Iowa	8.35	20
U.S. Avg.	8.16	
Kansas	7.64	24
Arkansas	7.43	29
Missouri	7.12	36
Oklahoma	6.60	41
Nebraska	6.52	42
Kentucky	5.58	49
Idaho	5.26	50
Washington	5.10	51

COMMERCIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	12.74	1
New Hampshire	11.39	2
New York	11.19	3
California	10.05	6
Illinois	7.39	19
U.S. Avg.	7.26	
Iowa	6.45	27
Kansas	6.25	33
Missouri	5.97	38
Arkansas	5.82	40
Oklahoma	5.58	42
Nebraska	5.44	45
Oregon	4.94	49
Washington	4.86	50
Idaho	4.20	51

INDUSTRIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	9.70	1
New Hampshire	9.21	2
Massachusetts	7.75	3
California	7.16	9
Illinois	5.02	14
Kansas	4.47	23
U.S. Avg.	4.43	
Missouri	4.38	25
Arkansas	4.12	32
Iowa	3.89	37
Oklahoma	3.60	43
Nebraska	3.57	44
Montana	2.84	49
Idaho	2.74	50
Washington	2.70	51

Source: US Energy Information Administration - 1999 data

entitle the holder to avoid payments for congestion. FERC Order No. 2000 requires that transmission rights related to congestion management be sold on a market basis, rather than sold at a regulated price and allocated when demand exceeds supply.

- Market scope issues deal with the geographic coverage of an RTO, but more importantly, that major electricity markets are included within a single RTO. Even if major electricity markets are included within a single RTO, there will still be significant transactions crossing RTO boundaries. Thus, it is also critical to work out agreements among RTOs with respect to providing transmission customers with one-stop shopping and what appears to be seamless markets.

In addition to participating in RTO development, the Commission filed with the Securities and Exchange Commission (SEC) regarding the requirement under the Public Utilities Holding Company Act for approval of a power supply agreement between an electric utility and a subsidiary exempt wholesale generation company (EWG). At issue was whether or not such contracts could avoid state approval by having the contract with an intermediate power marketing subsidiary. The SEC has yet to rule on the Commission's filing.

Merger Activities

In October 1999, UtiliCorp United Inc. (UtiliCorp) and St. Joseph Light and Power Company (SJLP) filed a joint application seeking authority to merge SJLP into UtiliCorp. The Commission approved the merger on December 14, 2000 and the merger between the two utilities closed December 31, 2000. SJLP continues its operations as a separate and distinct energy distribution unit of UtiliCorp.

In December 1999, UtiliCorp and The Empire District Electric Company (Empire) filed a joint application seeking authority to merge Empire into



Energy Department Staff Mike Proctor, Jim Ketter and Lena Mantle review transmission maps and discuss future resource needs with officials from Kansas City-based electricity provider UtiliCorp.

UtiliCorp. In addition to regulatory approvals from the Missouri Commission, approvals were also required from the Federal Energy Regulatory Commission and state commissions in Arkansas, Colorado, Iowa, Kansas, Minnesota and Oklahoma. The Missouri Commission held hearings regarding the merger in September 2000. Because regulatory approvals were not obtained from all commissions by December 31, 2000, UtiliCorp terminated the merger agreement between the two companies.

Earnings Investigation of AmerenUE

As previously ordered by the Commission, the PSC Staff filed a report with the Commission in February 2001 regarding AmerenUE's Experimental Alternative Regulation Plan. In its report, Staff outlined various options available regarding the future of regulation of AmerenUE and recommended that whatever form of regulation that would be applied to AmerenUE in the future, a complete rate review and rebasing of AmerenUE's rates should occur.

On March 8, 2001 the Commission issued an order authorizing the Staff to file, if warranted, an earnings complaint case on July 1, 2001 and not renewing the Experimental Alternative Regulation Plan past the expiration date of June 30, 2001.

Staff filed an earnings complaint case July 2, 2001 against AmerenUE seeking to reduce annual electric revenues in the range of \$213 to \$250 million a year. That case is currently pending before the Commission.

KCPL Restructuring

On May 15, 2000 Kansas City Power and Light Company (KCPL) filed an application with the PSC seeking authority to restructure the Company to create a holding company, a competitive generation company, a regulated utility company and an unregulated subsidiary. Staff met with KCPL, OPC and other intervenors several times regarding the many complex issues regarding restructuring. The parties came to an agreement and presented that agreement for Commission consideration. The agreement was approved by the Commission on July 31, 2001.

increase in natural gas prices. Hearings are scheduled in January 2002.

Internet Billing

The Commission approved a tariff filed by AmerenUE regarding an internet billing program. This program eliminates postcard billing for qualified customers choosing the option of receiving and paying their electric and gas bills via the internet. Current PSC rules require utility bills be mailed or hand delivered.

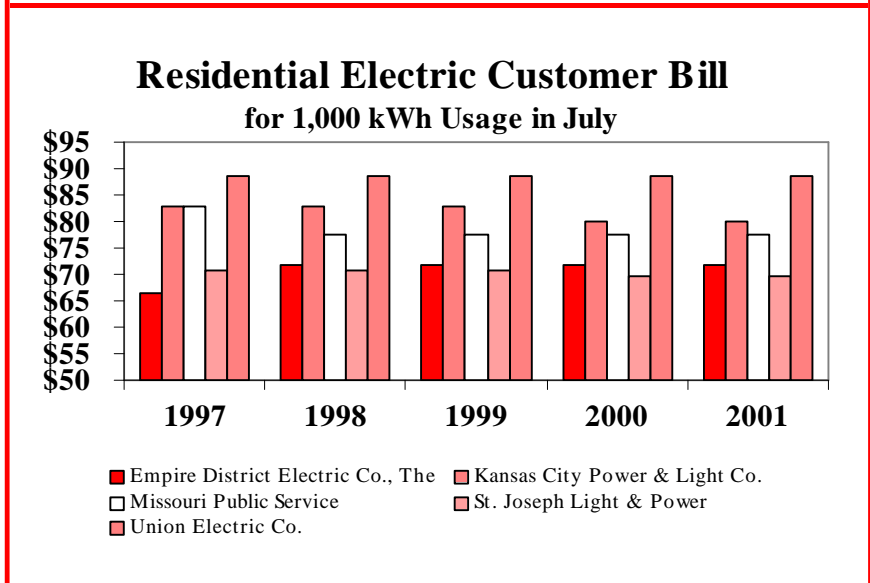
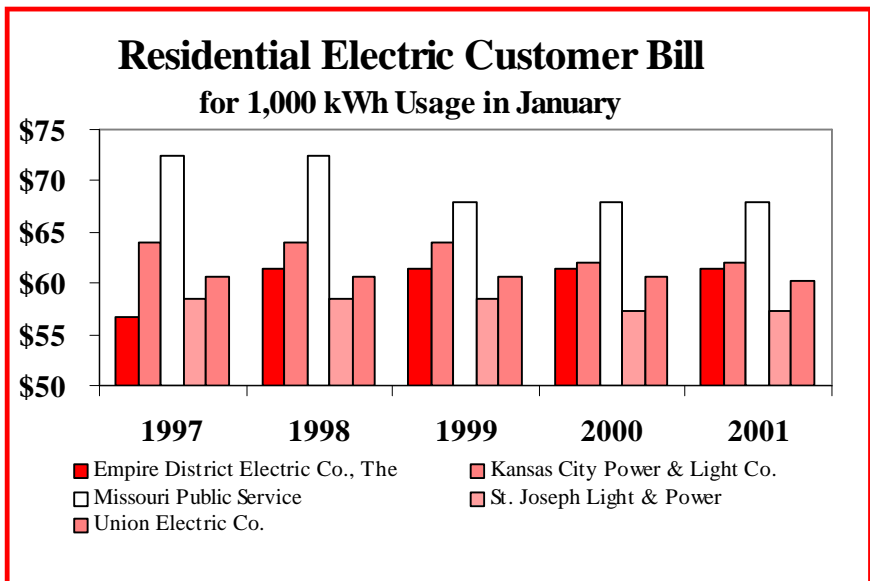
Work with Municipals and Cooperatives

The PSC Staff continues to work with electric municipalities and rural electric cooperatives in the state regarding territorial agreements, change of electrical suppliers and safety. The Commission held hearings and issued an order on an application filed by the City of Rolla which requested the Commission assign to them exclusive territory in an area recently annexed by the city which is currently served by Intercounty Electric Cooperative Association. The order required customers who were in the annexed area prior to June 8, 1998 to be served by Intercounty. Any new customers in the area after that date would be served by the City of Rolla.

The Commission also approved a territorial agreement entered into by AmerenUE and Intercounty in September 2000 that designated the boundaries of each service supplier within portions of Gasconade, Maries and Phelps counties.

**Rate Increase Filings:
Missouri Public Service**

On June 8, 2001 Missouri Public Service, a division of UtiliCorp United, Inc. (MPS) filed a rate case designed to increase revenues by \$49.3 million (16.9%) to recover costs associated with a contract for capacity and energy and an



Water & Sewer Department

Department Personnel

The Water & Sewer Department consists of seven professional/technical positions 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 approximately 120 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.



Water & Sewer Department Assistant Manager, Jim Merciel, evaluates the performance data in the control room of a Missouri water treatment plant.

Department Responsibilities

By law, the Commission is responsible for regulating the rates and fees charged by and the operating practices of the privately owned water and sewer corporations that operate in Missouri. The Water & 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 twofold. The first objective is to ensure that 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 companies provide their 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 their provisions continue to comply with applicable Commission rules, policies and state laws, as they change over time;

- Participating in all formal and informal rate filings from the perspective of evaluating the appropriateness and 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 proposed rates and charges, proposed system design, plans for system operations and 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 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.

- Interacting with company owners/operators regarding operational and technical matters;
- Investigating customer complaints and responding to customer inquiries concerning rates, charges, system operations and quality of service; and
- Providing expert testimony before the PSC on water and sewer cases pending before it, and providing technical advice to the PSC 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 them. Specifically, the DNR's jurisdiction covers the area of 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 relies upon the DNR to determine whether companies are complying with applicable federal and state environmental and water quality laws and regulations.

Because of the overlapping jurisdiction between the Commission and DNR, staffs of both 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 Director have recently pressed for increased 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 have recently completed

and signed a new MOU, which, 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.

PSC Regulated Water & Sewer Companies

The Commission currently has jurisdiction over 59 sewer companies and 72 water companies, which operate in various locations throughout the state. The tables set out on the following page show the distribution of the number of companies based upon the number of customers served, using the most recently available customer numbers. As is shown in these tables, the vast majority of the Commission's jurisdictional water and sewer utilities are very small, which presents unique situations with which the Commission and the Staff must deal. Additionally, the Commission's recent approval of a merger case involving the three largest regulated water companies will result in those three companies becoming one.



PSC Staff members inspect chlorine disinfection flow controllers at a Missouri water treatment facility.

Regulated Sewer Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
1,000 & Up	2	2,594	22.73
500 - 999	3	2,163	18.95
200 - 499	8	2,942	25.78
100 - 199	17	2,577	22.58
Less Than 100	27	1,136	9.95
TOTALS	59	111,412	100.0



An alluvial water well near the Missouri River.

Regulated Water Companies

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
100,000 & Up	1	306,000	68.8
50,000 – 99,999	1	95,998	21.58
10,000 – 49,999	1	10,800	2.4
5,000 – 9,999	1	6,726	1.51
2,500 – 4,999	1	4,697	1.06
1,500 – 2,499	2	4,734	1.06
750 – 1,499	5	5,316	1.2
500 – 749	5	3,119	0.7
200 – 499	10	2,945	0.66
100 – 199	22	3,227	0.73
Less Than 100	23	1,146	0.26
TOTALS	72	444,758	100

MANUFACTURED HOUSING AND MODULAR UNIT PROGRAM

The Commission regulates new manufactured homes and modular units sold in the state. Through the Manufactured Housing and Modular Units Program, the PSC acts as the state administrative agency to the United States Department of Housing and Urban Development (HUD). HUD is the federal agency that regulates the manufactured housing industry in the United States.

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**.

During the 2000-2001 legislative session, lawmakers passed Senate Bill 317 effecting the Manufactured Housing and Modular Unit Program's used home enforcement regulations. SB 317 removed Commission jurisdiction over code compliance and installation enforcement on all used manufactured homes and modular units, except for used modular units used specifically for educational purposes.

The Program also experienced a negative impact during fiscal year 2001 involving economic trends within the manufactured housing industry. Due to a thriving industry during the past decade, the industry over produced and obtained large volumes of inventory. Many manufacturers and dealers suffered when home sales dropped dramatically after the industries interest rates increased, which shifted sales to a repossession sales oriented situation. Subsequently, manufacturers and dealers were left with large inventories, and many have gone out of business. This impact has decreased the number of manufacturer and dealer registrations the Program administers.



Gene Winn, Manufactured Housing Inspector/Supervisor, inspects the insulation on a new manufactured home.

ANNUAL STATISTICS FOR FISCAL YEAR 2001

Registered Manufacturers:	235
Registered Dealers:	369
Homes Sold (new & used):	10,828
Consumer Complaint Inspections:	322
Dealer Lots Inspected:	184
Modular Unit Seals Issued:	2,420
Modular Unit Plans Approved:	1,349

SERVICE QUALITY

Engineering and Management Services Department

The Engineering and Management Services Department's (EMSD, Staff or Department) 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. The Engineers also provide quality of service support for local telephone exchanges through its line testing programs.

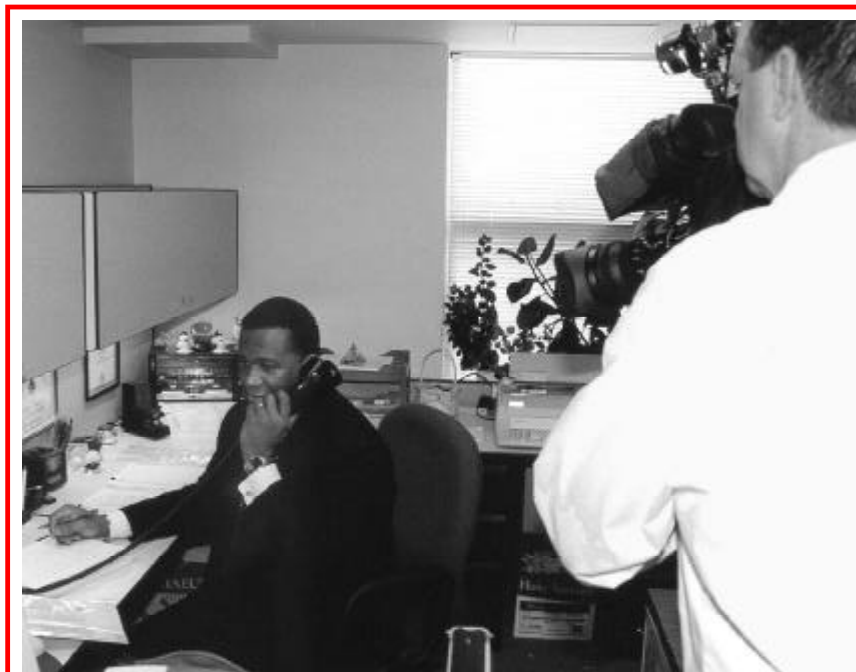
Major Projects During 2001

The EMSD staff participated in a variety of cases and audit projects during the year. Specifically, the Department participated in the Missouri Gas Energy rate case and addressed a variety of issues related to the Company's provision of customer service in that case. The Department also participated in the Missouri-American Water merger and recommended a series of quality of service indicators and a reporting mechanism to the staff to ensure that service quality does not deteriorate once the merger is complete. This participation is consistent with staff's past concerns in merger cases regarding the potential for service to decline in a post merger environment.

The staff performed an Implementation Review of Kansas City Power and Light Company (KCPL) during the year. The original audit, which reviewed the customer service practices of KCPL, was performed in 1999. The implementation review process is

performed by Staff subsequent to the initial audit and determines the Company's progress toward implementing the recommendations presented in the original audit report.

During 2001, the EMSD staff continued to monitor AmerenUE's handling of the Company's billing errors that resulted during its conversion to the Company's automated meter reading system (AMR). The EMSD staff has worked closely throughout the year with the Commission's Consumer Services Department and AmerenUE on this matter. The EMSD staff also participated in Staff's complaint case against AmerenUE.



PSC Chairman Kelvin Simmons answers the Consumer Services Hotline as part of the PSC's activities during National Customer Services Week.

The staff has been receiving and reviewing status reports from a variety of companies as a result of merger 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). Information on distribution reliability at specific electric companies is also received.

The EMSD worked jointly with the Commission's

Gas Procurement Department to review the management processes of UtiliCorp United Inc.'s Gas Supply Services Division. A report that identified a number of findings and recommendations for improvement was filed with the Commission on September 28, 2001.

The Staff continues graphing and analyzing company complaint data received from the Commission's Consumer Services Department. This data is maintained to track performance trends in the areas of consumer complaints to the Commission.

The Department also began participation in a new small water and sewer audit program designed to assist such companies in a variety of areas including customer billing, credit and collections, complaint handling and others. The Staff began this audit program in the summer of 2001.

The PSC's Engineering Staff have two principal areas of work: depreciation engineering being the primary responsibility of the group and telephone quality of service audits being the second area of responsibility.

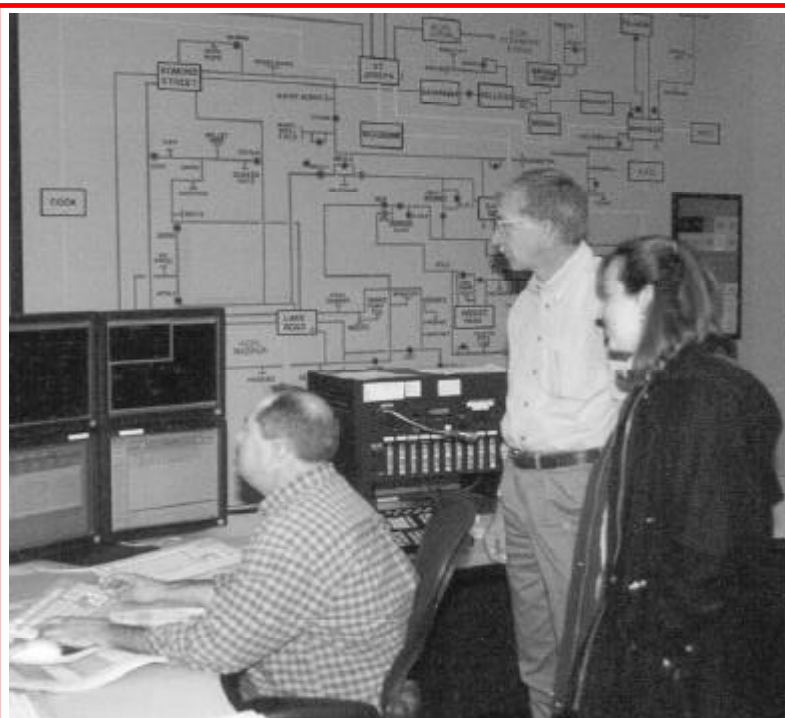
During fiscal 2001, the engineering Staff compiled depreciation studies and reports on 12 water companies, six sewer companies, 10 telephone companies, two electric companies and four gas companies. Six of these depreciation studies were major rate cases. In these six large cases, the Staff's depreciation proposals totaled \$64.2 million less than the positions offered by the companies.

Depreciation engineers make company visits and participate 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. These "depreciation studies" are the support for Staff's depreciation rates in each case. The engineers' objective is to propose depreciation rates that are fair and appropriate for each company and the company's customers. Engi-

neers write testimony and testify before the Commission to support their positions in rate cases as well as participate in settlement discussions.

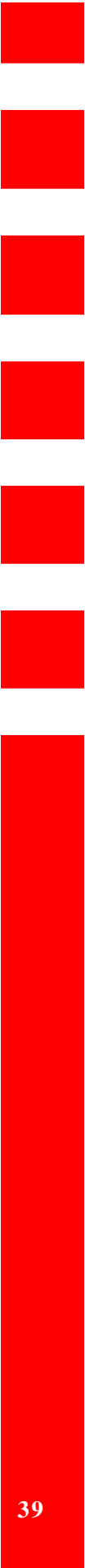
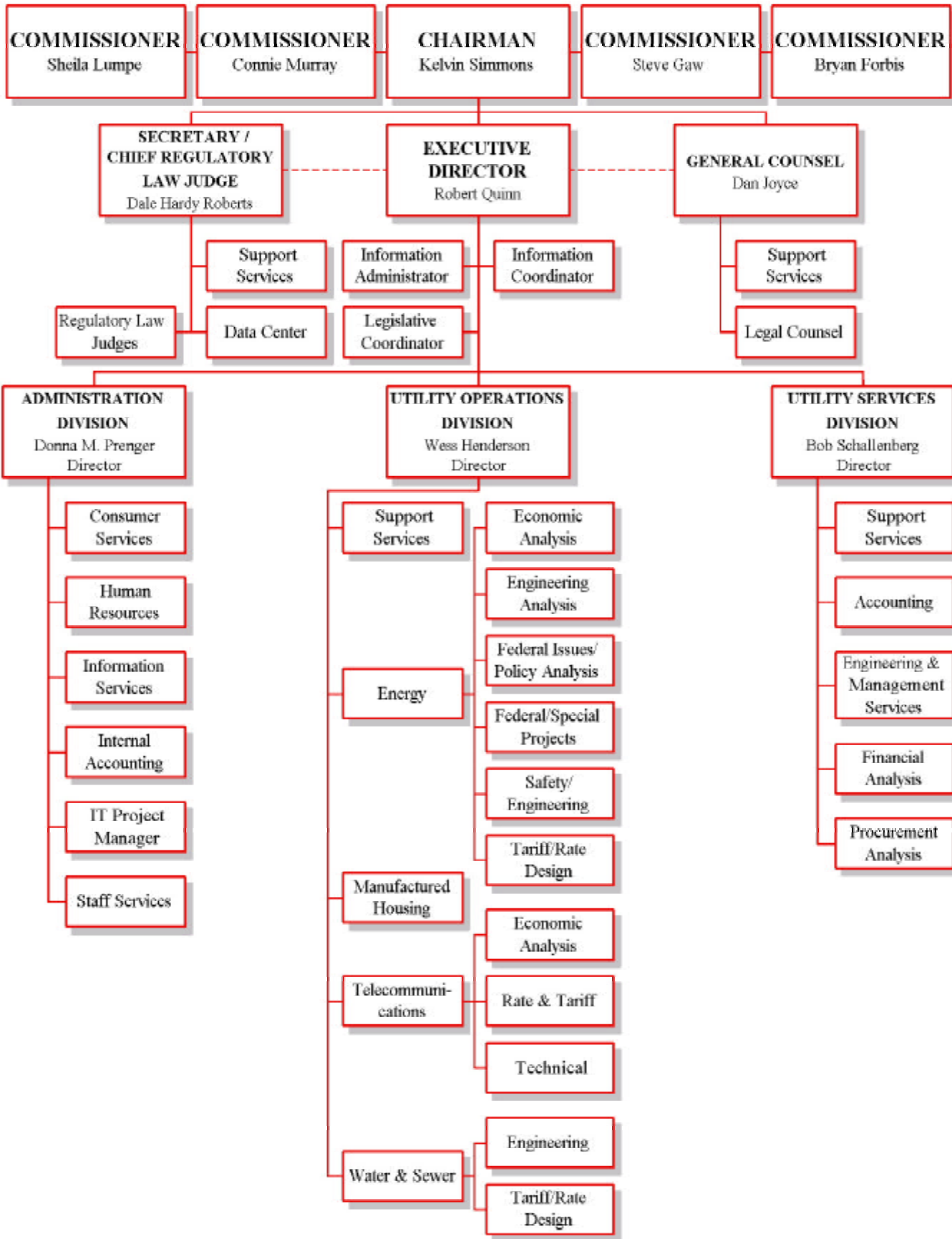
Engineering staff also provide telephone quality of service field-testing. This important technical work reduces customer risk of being without phone service or service that is of poor quality. This testing program includes testing a sample of telephone cable in order to locate defective lines. During fiscal 2001, depreciation engineers tested 4,340 pairs of telephone cable at 78 telephone company central offices throughout the state of Missouri.

Finally, the department's three depreciation engineers attend seminars and conferences to improve their skills, knowledge and professionalism. During fiscal 2001, depreciation engineers attended 14 training courses and gave technical presentations at three of the conferences they attended.



Energy Department Engineers Jim Ketter and Lena Mantle check electric system reliability for the transmission system of UtiliCorp's Missouri Public Service and St. Joseph Light and Power divisions.

MISSOURI PUBLIC SERVICE COMMISSION ORGANIZATIONAL CHART



YEAR IN REVIEW

2000

July 3

Commission issues consumer alert warning natural gas rates may be significantly higher than last heating season.

July 21

Commission approves territorial agreement between Lewis County Rural Electric Cooperative and Union Electric Company.

August 8

PSC establishes case to examine access charges in Missouri.

August 31

Commission issues decision in Missouri-American Water Company water and sewer rate cases granting a water revenue increase of approximately \$10 million and sewer revenue increase of \$2,300. When Company filed its rate case on October 15, 1999, it sought to increase water revenues by approximately \$16.4 million.

Commission approves territorial agreement between Intercounty Electric Cooperative Association and Union Electric Company d/b/a AmerenUE.

September 7

Commission determines competitors should be allowed to offer Metropolitan Calling Area (MCA) service in metropolitan areas of St. Louis, Kansas City and Springfield.

October 17

PSC approves agreement which authorizes Union Electric Company d/b/a AmerenUE to increase natural gas rates by \$4.2 million. Company sought a \$12 million increase when it filed its case on February 18, 2000.

Commission approves water territorial agreement between Public Water Supply District No. 2 of St. Charles County and the City of Wentzville.

October 24

PSC determines an overlay should be implemented in the current 314 area code in eastern Missouri and the current 816 area code in western Missouri as a means of alleviating a projected exhaustion of telephone prefixes in those two areas.

Commission orders reclamation of numbering resources as a means of delaying the need for new area codes in Missouri. In addition, PSC orders rate center consolidation in the Kansas City metropolitan area and directs parties to begin planning and preparing for 1,000 block number pooling and sequential numbering.



A consumer is sworn in to testify at a local public hearing.

October 31

Union Electric Company d/b/a AmerenUE customers to receive one-time bill credits totaling approximately \$20.2 million under experimental alternative regulation plan. Credits likely to appear before the end of the year.

November 1

PSC Cold Weather Rule takes effect.

PSC Year in Review

(continued)

November 3

The Empire District Electric Company files a \$41.4 million electric rate case with the PSC.

November 7

Missouri Gas Energy files a \$39.3 million natural gas rate case with the PSC.

November 9

GTE Midwest, Inc. d/b/a Verizon to change a number of telephone rates under price cap filing approved by the PSC.

Southwestern Bell Telephone Company changes a number of telephone rates under price cap filing approved by the PSC.

November 16

PSC approves agreement which authorizes Southern Missouri Gas Company to increase natural gas rates by approximately \$390,000 a year.

November 22

New area code overlay number announced for the current 314 area code. The overlay area code number is 557.

December 5

Sprint Missouri, Inc. d/b/a Sprint to change various telephone rates under price cap filing.

December 14

St. Joseph Light & Power merger with UtiliCorp United, Inc. approved by the PSC; proposed regulatory plan rejected.

December 22

New area code overlay number announced for the current 816 area code. The overlay area code number is 975.

2001

January 18

Commission establishes task force to consider issues surrounding the provision of Metropolitan Calling Area Service in St. Louis, Kansas City and Springfield.

January 20

PSC holds information session in Kansas City on high natural gas prices.

January 23

Missouri Public Service Commission opens case to investigate the process for recovery of natural gas commodity costs by local distribution companies from their customers. Task force is created.

Commission approves electric territorial agreement between Kansas City Power & Light Company and the City of Marshall.

January 25

PSC supports Governor Bob Holden's call for natural gas wholesale supplier investigation.

February 28

Relay Missouri implements 711 dialing.

March 2

Governor Bob Holden appoints Steve Gaw as Commissioner to the Missouri Public Service Commission.

March 6

Missouri Public Service Commission announces that it will recommend to the FCC that Southwestern Bell Telephone Company be allowed to provide long-distance service in Missouri.

March 8

Missouri Public Service Commission issues order reducing the Relay Missouri surcharge.

Commission denies The Empire District Electric Company's request to implement a two-step surcharge which would have increased electric revenues by approximately \$16.8 million for March through September 2001.

March 13

PSC opens case to investigate the state of telephone competition in the exchanges of Southwestern Bell Telephone Company.

March 15

PSC denies application filed by the City of Rolla which sought to provide electric service in an annexed area where current electric service is provided by Intercounty Electric Cooperative Association.

March 22

PSC approves water territorial agreement between Public Water Supply District No. 3 of Franklin County and the City of Washington.

March 27

Union Electric Company d/b/a AmerenUE customers to receive one-time bill credit of approximately \$28 million under an alternative regulation plan. Bill credits expected in May.

March 29

PSC issues decision which authorizes the Osage Water Company to increase water revenues by approximately \$54,300 a year.

March 31

Commissioner Robert Schemenauer retires from the Missouri PSC.

April 17

PSC announces that implementation of new 557 and 975 overlay area codes delayed due to telephone number conservation measures.

May 3

PSC Vice Chair M. Dianne Drainer resigns.

PSC issues decision which grants St. Louis County Water Company a rate increase of approximately \$5.1 million. When the water company filed its request on June 23, 2000, it sought to increase annual water revenues by approximately \$17.5 million.

May 18

Laclede Gas Company files a \$39.8 million natural gas rate case.

June 8

Missouri Public Service files a \$49.3 million electric rate case.



Todd Craig, Manager of the Information Services Department, is responsible for the engineering and maintenance of the PSC fiber-channel Storage Area Networks.

Statistical Information

RATE CASE DECISIONS DURING FISCAL YEAR 2001

NATURAL GAS

<u>Date of Order</u>	<u>Case No.</u>	<u>Company</u>	<u>Rate Request</u>	<u>PSC Decision</u>
10/17/00	GR-2000-512	AmerenUE	\$12,000,000	\$4,200,000
11/16/00	GR-2000-485	Southern Missouri Gas Co.	\$ 390,000	\$ 390,000

ELECTRIC

<u>Date of Order</u>	<u>Case No.</u>	<u>Company</u>	<u>Rate Request</u>	<u>PSC Decision</u>
10/31/00	EM-96-149	AmerenUE	0	(\$20,200,000) (1)
3/8/01	ER-2001-452	Empire District Electric Co.	\$16,800,000	0 (2)
3/27/01	EM-96-149	AmerenUE	0	(\$28,000,000) (1)

- (1) One-time bill credits under experimental alternative regulation plan.
(2) Interim rate request

WATER & SEWER

Large Company Rate Cases

<u>Date of Order</u>	<u>Case No.</u>	<u>Company</u>	<u>Rate Request</u>	<u>PSC Decision</u>
8/31/00	WR-2000-281	Missouri-American Water Co.	\$16,400,000	\$10,000,000
5/18/01	WR-2000-844	St. Louis Water Company	\$17,558,149	\$ 5,159,419

Small Company Rate Increase Requests

<u>Effective Date⁽¹⁾</u>	<u>File / Case Numbers ⁽²⁾</u>	<u>Company</u>	<u>PSC Decision</u>
7/26/01	2000 00345 / WR-2000-557	Osage Water Company (water operations)	\$ 54,303
12/30/99	2000 00346 / SR-2000-556	Osage Water Company (sewer operations)	\$ 3,690
12/29/00	2000 00755 / SR-2001-303	House Springs Sewer Company	\$ 83,640
12/18/00	2000 00777 / WR-2001-291	Raytown Water Company	\$198,431
10/02/00	2000 00952 / WR-2001-82	Shell Knob Estates Utilities, Inc. (water)	\$ 4,286
10/02/00	2000 00953 / SR-2001-83	Shell Knob Estates Utilities, Inc. (sewer)	\$ 2,899
No Increase	200001187	Silver Leaf Resorts, Inc. (water)	N/A
No Increase	200001188	Silver Leaf Resorts, Inc. (sewer)	N/A
No Increase	2001 00006	Timber Creek Sewer Company	N/A
04/07/01	2001 00050 / WR-2001-457	RDE Water Company	\$ 36,582
No Increase	2001 00143	Linda Loma Water Company	N/A
Withdrawn by Co.	2001 00560	Meramec Sewer Company	N/A
Withdrawn by Co.	2001 00832	Swiss Villa Utilities (water)	N/A
Withdrawn by Co.	2001 00833	Swiss Villa Utilities (sewer)	N/A
Pending	2001 00917	Gladlo Water & Sewer Company (water)	N/A
Pending	2001 00918	Gladlo Water & Sewer Company (sewer)	N/A
Pending	2001 00966	The Meadows Water Company (water)	N/A
Pending	2001 00967	The Meadows Water Company (sewer)	N/A
Pending	2001 01195	Argyle Estates Water Supply	N/A
Pending	2001 01207	South Jefferson County Utilities (water)	N/A
Pending	2001 01208	South Jefferson County Utilities (sewer)	N/A

(1) The first block of numbers in the Case Number and the Reference Number (99 or 2000) indicate the fiscal year in which the rate increase request was originally submitted to the PSC.

(2) An entry of "Pending" in the last column of the tables indicates that a final disposition of the rate increase request had not been reached as of September 15, 2000.

Telephone Statistics

<u>Company</u>	<u>Access Lines</u>
Southwestern Bell Telephone Co., St. Louis	2,752,724
GTE Midwest, Inc. d/b/a Verizon, Columbia	436,122
United Telephone Co. d/b/a Sprint, Jefferson City	276,920
Spectra Communications, LLC	130,000
ALLTEL Missouri Service Corp., Little Rock, Ark.	68,422
Fidelity Telephone Co., Sullivan	17,040
Grand River Mutual Telephone Corp., Princeton	15,501
Chariton Valley Telephone Corp., Bucklin	8,609
Cass County Telephone Co., Peculiar	8,000
Kingdom Telephone Co., Auxvasse	5,484
Steelville Telephone Exchange, Inc., Steelville	4,850
Mark Twain Rural Telephone Co., Hurdland	4,759
Northeast Missouri Rural Telephone Co., Green City	4,727
Citizens Telephone Co., Higginsville	4,431
Modern Telecommunications Co., Green City	4,422
Mid-Missouri Telephone Co., Pilot Grove	4,180
Green Hills Telephone Corp., Breckenridge	3,912
BPS Telephone Co., Malden	3,880
McDonald County Telephone Co., Pineville	3,850
Seneca Telephone Co., Seneca	3,317
Granby Telephone Co., Granby	2,988
Craw-Kan Telephone Cooperative, Inc., Girard, Kansas	2,662
Ozark Telephone Co., Seneca	2,413
Ellington Telephone Co., Ellington	2,155
Goodman Telephone Co., Goodman	1,939
Rock Port Telephone Co., Rock Port	1,900
KLM Telephone Co., Rich Hill	1,600
Lathrop Telephone Co., Princeton	1,561
Stoutland Telephone Co., Stoutland	1,558
Le-Ru Telephone Co., Stella	1,500
Oregon Farmers Mutual Telephone Co., Oregon	1,271
Iamo Telephone Co., Coin, Iowa	1,243
Miller Telephone Co., Miller	1,150
New London Telephone Co., New London	1,060
Orchard Farm Telephone Co., St. Charles	851
Mo-Kan Dial, Inc., Louisburg, Kansas	819
Choctaw Telephone Co., Halltown	639
Holway Telephone Co., Maitland	560
Peace Valley Telephone Co., Peace Valley	495
New Florence Telephone Co., New Florence	470
Alma Telephone Co., Alma	380
Farber Telephone Co., Farber	240
Total	3,790,604

Note: Access Lines in use as of July 1, 2001. Billed access lines would be somewhat less.

Natural Gas Utilities Statistics

Calendar Year 2000 (Missouri Jurisdictional)

Name of Company	Mcf Sold 2000	Total Operating Revenues (\$)	Total Number of Residential Customers	Total Number of Customers
AmerenUE (1)	17,802,215	\$ 106,552,693	98,366	110,566
Atmos Energy Corp. (2) (Associated)	4,848,655	35,021,595	41,092	46,985
Atmos Energy Corp. (3) (UC/Greeley)	4,630,053	36,656,677	57,211	65,242
Fidelity Natural Gas, Inc.	214,096	678,500	995	1,146
Laclede Gas Company	89,813,664	485,380,520	592,636	632,646
Missouri Gas Energy(4)	59,984,522	461,732,064	435,783	498,648
Missouri Public Service(5)	5,203,156	42,169,749	41,305	46,657
Southern Missouri Gas Co., L.C.(6)	1,181,939	7,386,311	6,698	7,418
St. Joseph Light & Power Co. (7)	858,171	5,645,145	5,422	6,288
Totals:	184,536,471	\$ 1,183,223,254	1,279,508	1,415,586

Source: MoPSC FERC Form 2 1999 Annual Reports (Missouri Jurisdictional)

Intrastate Pipelines	Mcfs Delivered	Revenue (\$)	Transportation Customers
Missouri Gas Co.(8)	1,910,129	2,205,026	15
Missouri Pipeline Co.(6)	13,383,740	5,226,003	18
Totals:	15,293,869	\$ 7,431,029	33

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

(2)-Associated Natural Gas Co. Missouri Properties purchased by Atmos Energy Corp. effective June 1, 2000

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

(4)- a division of Southern Union Co.

(5)-a division of UtiliCorp United, Inc.

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

(7)-a division of UtiliCorp United Inc., effective December 30, 2000

(8) a division of UtiliCorp Pipeline Systems, Inc.

Electric Utilities Statistics

Calendar Year 2000 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>MWhs Sold 2000</u>	<u>Operating Revenues 2000</u>	<u>Residential Customers</u>	<u>Total Customers</u>
Citizens Electric Corp.	1,042,183	\$ 49,522,264	21,627	23,965
Empire District Electric Co., The	3,615,498	\$ 207,163,615	107,443	128,722
Kansas City Power & Light Co.	8,803,450	\$ 534,218,673	228,558	258,953
Missouri Public Service(1)	4,833,374	\$ 292,848,120	180,716	208,049
St. Joseph Light & Power Co.	1,772,986	\$ 90,043,071	55,987	63,094
Union Electric Co.(2)	31,339,628	\$ 1,960,321,971	969,437	1,115,978
TOTALS:	51,407,119	\$ 3,134,117,714	1,563,768	1,798,761
Grand MMBtu	175,503,904			

Source: 1999 Annual Reports

(1) - Missouri Public Service, a Division of UtiliCorp United, Inc.

(2) - Union Electric Company d/b/a AmerenUE

Steam Utilities Statistics

Calendar Year 2000 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>MMBtus Sold 2000</u>	<u>Operating Revenues 2000</u>	<u>Residential Customers</u>	<u>Total Customers</u>
St. Joseph Light & Power Co. (1)	1,837,072	\$ 6,428,939	0	6
Trigen-Kansas City District Energy Corp.	972,352	\$ 11,015,308	0	75
TOTALS:	7,562,995	\$ 17,444,247	0	81

Source: 1999 Annual Report

(1) St. Joseph Light & Power, a division of UtilitCorp United, Inc. effective Dec. 30, 2000

Water Statistics

Calendar Year 2000 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Customers</u>	<u>Name of Company</u>	<u>Customers</u>
St. Louis County Water Company *	306,000	Suburban Water Company	153
Missouri-American Water Company *	95,998	Stockton Hills Water Company	149
Jefferson City Water Works Company *	10,800	Cat-Pac Waterworks	146
Raytown Water Company	6,726	Swiss Villa Utilities Inc.	139
The Empire District Electric Company	4,697	Missouri Utilities Company	134
Tri State Utility Company	2,485	Lakeland Heights Water Company	131
U. S. Water Company	2,249	White River Valley Water Company	130
Rex Defenderfer Enterprises	1,201	Emerald Pointe Utility Company	124
Terre Du Lac Utilities Corporation	1,069	Spring Valley Estates Water Company	117
Meadows Water Company	1,063	Rogue Creek Utilities	114
Ozark Shores Water Company	1,025	Kimberling City Water Company	108
AquaSource/R.U.	958	Moore Bend Water Company	105
I. H. Utilities	701	Riverfork Water Company	101
Silverleaf Resorts	689	Quail Run Water & Land	97
KMB Utility Corporation	610	Woodland Manor Water Company	87
Noel Water Company	603	L.T.A. Water Company	85
Taney County Utilities Corp.	516	Midland Water Company	82
AquaSource/C.U.	420	Evergreen Lake Water Company	77
Central Jefferson County Utility	409	Frimel Water Company	75
Warren County Water & Sewer Co.	356	Woodland Heights Utilities	68
Highway H Utilities	312	Whispering Hills Water Company	65
S.K.&M. Water & Sewer Co.	287	Gladlo Water & Sewer Company	61
Camelot Utility	275	Shell Knob Estates Utilities	54
Loma Linda Development Company	243	Franklin County Service Company	53
Osage Water Company	222	Roy L Utilities	53
South Jefferson County Utility Co.	214	Oakbrier Water Company	47
Public Funding Corp. - City of Ozark	207	Argyle Estates Water System	46
Port Perry Service Company	195	Hickory Hills Water & Sewer Co.	46
Hillcrest Utilities Company	194	Spokane Highlands Water Co.	38
Cedar Hill Estates Water Company	193	Lakewood Manor Limited	29
Willows Utility Company	189	Lake Region Water & Sewer Co.	24
Gascony Water Company	185	Wilden Heights Water Company	22
Foxfire Utility Company	184	Lake Northwoods Utility Company	21
Peaceful Valley Service Company	164	Valley Woods Water Company	12
Roark Water & Sewer Company	162	Kimberling Investments, Inc.	2
Franklin County Water Company	160	Middle Fork Water Company **	2

* merger of these companies approved effective 10/07/01

** provides wholesale service to two distribution systems

Sewer Statistics

Calendar Year 2000 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Customers</u>	<u>Name of Company</u>	<u>Customers</u>
AquaSource/C.U.	1,527	Port Perry Service Company	118
Terre Du Lac Utilities Corporation	1,067	M.P.B. Inc.	101
House Springs Sewer Company	778	Missouri-American Water Company	101
Meramec Sewer Company	741	Rogue Creek Utilities	95
Cedar Hill Utility Company	644	Mill Creek Sewer Company	74
Ozark Water & Wastewater Mgmt.	415	Savannah Heights Industrial Treatment	72
Central Jefferson County Utility	409	Taney County Utilities Corporation	70
Warren County Water & Sewer Company	320	Woodland Heights Utilities	68
P.C.B. Inc.	300	Franklin County Service Company	65
Village Water & Sewer	300	Highway H Utilities	65
Meadows Water Company	272	North Oak Sewer	65
Timber Creek Sewer Company	263	WPC Sewer Company	64
Silverleaf Resorts	230	Gladlo Water & Sewer Company	61
KMB Utility Corporation	219	Roy L Utilities	53
South Jefferson County Utility Company	214	Shell Knob Estates Utilities, Inc.	51
Hillcrest Utilities Company	193	Hickory Hills Water & Sewer Company	46
L. W. Sewer Corporation	193	S. T. Ventures	42
Willows Utility Company	189	Lake Region Water & Sewer Company	41
Foxfire Utility Company	182	Warren County Sewer Company	33
Lincoln County Utilities	176	Cannon Home Association	32
Stoddard County Sewer Company	172	Central Rivers Wastewater Utility	32
S.K.&M Water & Sewer Company	166	Lake Hannibal Sewer Company	24
Osage Water Company	155	Lake Northwoods Utility Company	21
Peaceful Valley Service Company	150	Taneycomo Highlands	16
Roark Water & Sewer Company	149	AquaSource Development Company	13
Swiss Villa Utilities	139	TBJ Sewer Systems	12
West 16th Street Sewer Company	136	Bear Creek Water & Sewer Company	10
Missouri Utilities Company	133	Valley Woods Water Company	7
Emerald Pointe Utility Company	124	Eastern MO Utility	4
		Southwest Sewer Corporation	0

Contacting the PSC

Missouri Public Service Commission offices are located in 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**
Other Business: (573) 751-3234
Fax: (573) 751-1847

St. Louis: Missouri Public Service Commission
815 Charter Commons Dr.
Suite 100B
Chesterfield, MO 63017-0608
Telephone No.: (314) 207-8001
Fax: (314) 207-8010

Kansas City: Missouri Public Service Commission
3675 Noland Road
Suite 110
Kansas City, MO 64055
Telephone No.: (816) 325-0100
Fax: (816) 325-0109

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

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

