

Missouri Public Service Commission

2010 Annual Report



We will:

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



Commissioners

ROBERT M. CLAYTON III
Chairman

JEFF DAVIS

TERRY M. JARRETT

KEVIN GUNN

ROBERT S. KENNEY

Missouri Public Service Commission

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Executive Director

DANA K. JOYCE
Director, Administration and
Regulatory Policy

ROBERT SCHALLENBERG
Director, Utility Services

NATELLE DIETRICH
Director, Utility Operations

STEVEN C. REED
Secretary/General Counsel

KEVIN A. THOMPSON
Chief Staff Counsel

November 22, 2010

The Hon. Jeremiah W. Nixon
Governor of Missouri
State Capitol
Jefferson City, Missouri

Dear Gov. Nixon:

As Chairman of the Missouri Public Service Commission, it is my pleasure and honor to submit the agency's annual report for the fiscal year July 1, 2009 through June 30, 2010, as well as additional information for the calendar year 2010.

First, I must note for your consideration the dedication and hard work of the Commission staff. Employment with the state carries significant responsibility without the pay scale and benefits available in the private sector. They are to be commended for doing more each year with less. PSC employees are vital to the agency and to the work that we do.

Second, the Commission has had a full docket, productively addressing many issues during this past year. Legislative initiatives and a referenda approved by voters have created new challenges and responsibilities for the Commission as well as on-going rate case filings of the largest utilities. The Commission also addressed a number of significant rulemakings and conducted a number of workshop dockets in attempts to find common ground among stakeholders.

Third, the Commission conducts its business more transparently and openly than any time in its history. The Commission is now operating under the most stringent ethical rules in the nation. Nearly all Commission business is broadcasted and archived for public availability, including evidentiary hearings, local public hearings and the Commission's decision-making agenda meetings. It has been my goal of removing the "mystery" of how the Commission does its work and provide the public with a better explanation of the type of work that we do. The public can have confidence in our decisions when it understands how we operate, can review openly how decisions are made and can fully review the Orders issued.

Here are some highlights of the Commission's work this year:

Decision Highlights:

- **Ethics and Standards of Conduct:** Completed an Ethics and Standards of Practice rulemaking eliminating secret communications between regulated utilities and Commissioners on contested matters that could be before the commission at any time in the future.
- **Sunshine Law:** Implemented new, comprehensive in-house policies relating to the Sunshine Law and document retention policies.

- **Public Access to PSC Decisions and Process:** All PSC public meetings and hearings are webcast on the internet, recorded and are available for public inspection through the web.
- **Local Public Hearing Process:** The PSC local public hearing process has been reformed to provide clear public understanding of PSC procedure and what the utility is requesting.
- **Rate Cases:** Reached decisions in rate cases filed by large investor-owned utilities (Laclede Gas Company, Missouri-American Water Company, Atmos Energy, Missouri Gas Energy, Empire Gas Company).
- **Renewable Energy Standards:** Concluded Proposition C rulemaking (passed by the voters in November 2008) to implement Missouri's RES requirements for electric utilities.
- **Diversity Program:** Implemented a new diversity program.
- **Customer Service:** Responded to nearly 11,000 complaints and/or inquiries received by our Consumer Services Department.
- **Federal Activity:** Continued to be a strong voice for Missouri consumers before federal agencies such as the Federal Energy Regulatory Commission (FERC) on important issues involving electricity and natural gas and before the Federal Communications Commission (FCC) on telecommunications and broadband issues. Many of those issues could have a significant impact on the rates consumers pay or the service they receive.
- **Stray Voltage Reporting:** PSC implemented new Stray Voltage reporting requirements for electric utilities in effort to protect the public from dangerous, ungrounded electric currents.
- **Small Complaint Process:** Proposed a streamlined process for customers filing complaints against utilities.

On-going and future projects:

- **Energy Efficiency:** Working with the Missouri Department of Natural Resources (DNR), community action agencies and other stakeholders developing a website (www.beenergyefficient.org) which provides Missouri consumers with information on how to take control of their energy costs.
- **Energy Efficiency Study:** Working with Missouri DNR and a hired consultant to study energy efficiency potential for Missouri.
- **Missouri's Utilities:** Held various workshops with interested stakeholders on timely issues in utilities including electric transmission, smart grid investments and energy efficiency.
- **In-house Cyber Security:** Completing final steps in a comprehensive in-house review and upgrade of cyber security and protection of electronic data and systems for electric and natural gas utilities.
- **SB 376:** PSC has started a formal rulemaking docket implementing rules associated with SB376, on energy efficiency.
- **Integrated Resource Planning:** PSC has started a formal rulemaking docket to implement new Integrated Resource Planning for electric utilities.
- **Area Code Protection:** Continue aggressive telephone number conservation efforts which have kept Missouri from having to add new area codes. Missouri area code exhaust dates have been extended from the early 2000s to at least 2017.
- **Missouri's Energy Future:** PSC will continue the dialogue with stakeholders on Missouri's energy needs, specifically regarding transmission, energy efficiency and smart grid investments.

The Commission continues its work to assure Missouri's rate paying customers receive safe and adequate service at just and reasonable rates. I hope that you find this report helpful and useful. If there is any additional information I can provide, please do not hesitate to call.

Very truly yours,



Robert M. Clayton III
Chairman

2010

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MISSOURI PUBLIC SERVICE COMMISSION

Robert M. Clayton, III, Chairman

Jeff Davis, Commissioner

Terry M. Jarrett, Commissioner

Kevin D. Gunn, Commissioner

Robert S. Kenney, Commissioner

Photo by Harrison Sweeza



COMMISSIONER BIOGRAPHIES



ROBERT M. CLAYTON III *Chairman*

Chairman Robert M. Clayton III was appointed by Governor Bob Holden to a six-year term on the Public Service Commission, receiving Senate confirmation on May 8, 2003. He was appointed chairman by Gov. Jay Nixon on January 13, 2009.

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

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

Chairman Clayton is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He is a former Chairman of the Committee on International Relations, which included serving as the NARUC representative appointed to attend the Presidium of the Energy Regulators Regional Association (ERRA) of Eastern and Central Europe. He has worked with several member

nations of the African Forum for Utility Regulation (AFUR) including the nations of Rwanda and Uganda. He has also offered presentations on energy regulation in Azerbaijan, Hungary and before the Organization of Caribbean Utility Regulators.

Chairman Clayton was also appointed to chair the Program Advisory Committee for the World Forum on Energy Regulation III, held in October 2006, in Washington, DC. The third triennial conference of its kind (the prior events were held in Montreal, Canada, and Rome, Italy), the World Forum hosted energy regulators, investors and stakeholders from 84 countries. As Chair of the Program Advisory Committee, Clayton's committee developed the comprehensive program agenda by coordinating topics of interest for all regulators, regardless of the maturity level of a nation's economy. The program highlighted 125 speakers with 28 different sessions of energy regulatory topics.

Chairman Clayton also serves as a general member of the NARUC Telecommunications Committee and is involved in various organizations charged with the regulation and monitoring of telephone utilities. Clayton served as chairman of the Missouri Universal Service Board and is a state commission member of the FCC appointed North American Numbering Council. He is also a member of the Federal Communications Bar Association and the Public Utility, Communications and Transportation Law Section of the American Bar Association. He serves on the Homeland Security Advisory Council, is a member of the Missouri Oil and Gas Council and serves on the Financial Research Institute Advisory Committee.

Chairman Clayton also serves as a member of the Washington Action Committee as well as the NARUC Subcommittee on Education and Research. He also serves as a member of the NARUC/FERC Smart Grid Collaborative. He is a member of the Electric Power Research Institute Advisory Committee on Energy Efficiency and Smart Grid Technology. He also serves as a member of the State Energy Efficiency Action Network workgroup on Utility Motivation sponsored by the United States Department of Energy.

Chairman Clayton received the UMKC Law Foundation Decade Award for Achievement in his first ten years of work following law school. He is also a past recipient of the President's Award from the Missouri Bar Association and the Kansas City Metropolitan Bar Association. Clayton also serves as a board member for the Mark Twain Home Foundation and Affordable Community Education, Inc.

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

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

JEFF DAVIS, *Commissioner*

Jeff Davis was appointed to the Missouri Public Service Commission on April 30, 2004 and was named Chairman of the Public Service Commission by Governor Blunt on January 10, 2005. Commissioner Davis was re-appointed to a full six-year term in April 2006. He served as chairman until January 13, 2009.

Commissioner Davis has served as a member of the Missouri Universal Service Board, the Financial Research Institute Advisory Board, the National Association of Regulatory Utility Commissioners (NARUC) where he serves on the electric committee, the Advisory Board for the University of Missouri Delta Center for Agricultural Development in Southeast Missouri, Past President of the Mid-America Association of Regulatory Commissioners (MARC), and President of the Regional State Committee for Southwest Power Pool.

Commissioner Davis has served as Chair of the Missouri Energy Task Force, Chairman of the FRI Advisory Board at the University of Missouri, a member of the FERC Joint Oversight Board for Economic Dispatch for the MISO-PJM region, the Homeland Security Advisory Council, the Missouri Oil and Gas Council, a member of the Board of Directors for the Organization of MISO States (OMS), and as a member of the NARUC gas committee.



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

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

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

Commissioner Davis resides in Jefferson City with his wife Tiffany (Southeast '96) and daughters Micah, Mackenzie and Mayson. He is the past president of the Congregation at Faith Lutheran Church and serves on the national board of directors for the Phi Delta Theta Fraternity.

BIOGRAPHIES

TERRY JARRETT, *Commissioner*

Commissioner Terry M. Jarrett was appointed by Governor Matt Blunt to the Missouri Public Service Commission for a six-year term on September 11, 2007. Commissioner Jarrett received unanimous Senate confirmation on January 17, 2008.

Commissioner Jarrett serves as Chairman of the Missouri Universal Service Board, which was established to help low-income and disabled Missourians receive additional discounts for basic local telephone service. He additionally serves, by gubernatorial appointment, on the Committee on 911 Service Oversight. This committee has a variety of responsibilities, including aiding in and collecting information relating to use of a universal emergency telephone number, reviewing existing and proposed legislation and providing recommendations for model systems in preparing a model 911 service plan.

Commissioner Jarrett is a member of the National Association of Regulatory Utility Commissioners (NARUC). He is a member of the NARUC Gas Committee, co-vice-chair of the Critical Infrastructure Committee and is a member of the NARUC/FERC Demand Response Collaborative. Commissioner Jarrett is also a member of the NARUC Subcommittee on Clean Coal and Carbon Sequestration.

He is also a member of the New Mexico State University Center for Public Utilities Advisory Council. The Advisory Council assists the Center for Public Utilities in providing educational and research services to the energy, water and telecommunications industries, and regulatory commissions.

Prior to his appointment to the PSC, Commissioner Jarrett was the Presiding Commissioner of the Administrative

Hearing Commission. He formerly served as general counsel to Matt Blunt in both the Office of the Governor and the Office of the Secretary of State.

Jarrett has practiced law as a private attorney and served as a judicial law clerk to the Honorable Duane Benton at the Supreme Court of Missouri. He currently serves as a Judge Advocate in the Missouri Army National Guard at the rank of Captain.

Commissioner Jarrett received a B.S. degree from Central Missouri State University (now the University of Central Missouri) and a J.D. degree from the University of Missouri-Columbia School of Law. While in law school, he was Editor-in-Chief of the *Missouri Law Review*. In 2005, Jarrett was honored with the Most Recent Distinguished Graduate Award by the University of Missouri-Columbia, School of Law.

Jarrett is a member of the Cole County Bar, as well as the Missouri Bar where he is active on several committees, including serving as the chair of the Military Law Committee. He routinely lectures on administrative law, military law and other regulatory issues.

Commissioner Jarrett resides in Jefferson City with his wife, Sharon, and two sons, Blaine and Bryce.



KEVIN D. GUNN, *Commissioner*

Commissioner Kevin Gunn was appointed to the Missouri Public Service Commission on March 13, 2008, by Governor Matt Blunt. He was confirmed by the Missouri State Senate on April 10, 2008 and sworn in on April 21, 2008.

Prior to his appointment to the commission, Gunn was an attorney in private law practice in St. Louis with the law firm of Sonnenschein, Nath and Rosenthal.

In 2000, Commissioner Gunn joined the Gephardt in Congress Committee, working on the congressional campaign of Democratic Leader Richard A. Gephardt. He continued working for the committee until 2003. During his tenure, Mr. Gunn also worked on congressional redistricting in Missouri and was appointed by Governor Bob Holden to serve on the Missouri Commission on Reapportionment for the representative districts.

From January 2003 until January 2005, Commissioner Gunn was chief of staff to Rep. Richard Gephardt overseeing all Congressional operations in Washington D.C. and St. Louis. Upon Representative Gephardt's retirement in January 2005, Mr. Gunn formed Gunn Communications LLC. In 2005, Commissioner Gunn left Gunn Communications LLC to begin work for several large St. Louis law firms, practicing primarily in the area of governmental affairs.

Commissioner Gunn received his Bachelor of Arts in political science from American University in 1992 and earned his Juris Doctor from St. Louis University School of Law in 1996. While in law school, Gunn worked for the Missouri Attorney General's office and interned for Federal District Judge George F. Gunn (no relation).

In 2008, Gunn was awarded an Eisenhower Fellowship. In May 2009, he traveled to Australia to study energy and economic development, carbon pollution reduction schemes, renewable energy targets and carbon capture and sequestration.

Also in May 2009, Commissioner Gunn was appointed to the National Association of Regulatory Utility Commissioners (NARUC) Board of Directors and currently serves on the Committee on International Relations. In July 2009, Commissioner Gunn was appointed to the NARUC Committee on Water, and in September 2009, he was appointed Co-Chair of the NARUC Washington Action Program. Commissioner Gunn is a member of the Executive Committee of the Eastern Interconnection States' Planning Collaborative (EISPC) and the Eastern Interconnection Planning Collaborative (EIPC) and the EIPC Stakeholder Steering Committee (SSC).

Gunn currently serves as the Chairman of the St. Clare Hospital Foundation Board. He has also served on the Webster Groves City Council, the St. Louis County Fire Standards Commission and the St. Louis Regional Chamber and Growth Association Public Policy Council.

Commissioner Gunn is married to Amy Collignon Gunn, an attorney, and has two sons Connor and Nathan.



BIOGRAPHIES

ROBERT S. KENNEY, *Commissioner*

Commissioner Robert S. Kenney was appointed to the Missouri Public Service Commission on July 29, 2009 by Governor Jay Nixon. He was unanimously confirmed by the Missouri State Senate on January 13, 2010.

Commissioner Kenney is an active member of the National Association of Regulatory Utility Commissioners. He serves on the Committee on Energy Resources and the Environment and the Consumer Affairs Committee. He also serves on the executive board of the Organization of MISO States. He is also a member of the Energy Bar Association.

Prior to his appointment to the PSC, Commissioner Kenney served as Missouri Attorney General Chris Koster's first Chief of Staff.

As Chief of Staff, Commissioner Kenney was instrumental in leading the office through the transition process. He was responsible for overall management of the Attorney General's attorney and non-attorney employees in five offices throughout the state. Commissioner Kenney was also responsible for managing and litigating complex cases involving, among other things, election law, petition initiatives, and representation of statewide elected officials. Commissioner Kenney was also tasked with monitoring

and advocating on behalf of legislation affecting the Attorney General's Office.

Before working for the Attorney General, Commissioner Kenney was a share-holder at the law firm Polsinelli Shalton Flanigan Suelthaus PC (now Polsinelli Shughart), where he practiced in the commercial and business litigation practice group and the product liability practice group. He litigated cases in state and federal courts in Missouri, Illinois, and other courts throughout the country. Commissioner Kenney chaired Polsinelli's diversity committee and served on the firm's recruiting committee.

Prior to his time in private practice at Polsinelli, Commissioner Kenney was an Assistant Attorney General in the Missouri Attorney General's Office for nearly three years, practicing in the Consumer Protection Division. In that division, Commissioner Kenney worked to enforce state and federal consumer protection laws. Commissioner Kenney also served the community by implementing community education and outreach efforts. Commissioner Kenney also played an instrumental role in the initial implementation and enforcement of Missouri's Telemarketing No-Call List Law.

Commissioner Kenney is a past President of the Mound City Bar Association. Commissioner Kenney has also served as a member of the board of governors of the Bar Association of Metropolitan St. Louis, serving as a presidential liaison. Commissioner Kenney also serves the Missouri Bar as vice-chair of the Twenty-Second Circuit Judicial Evaluation Committee.

Commissioner Kenney has served on the Board of Trustees for Fontbonne University, the Board of Directors for The St. Louis Black Repertory Theater and the Board of Directors for the Portfolio Gallery and Educational Center.



BIOGRAPHIES

Commissioner Kenney is a member of Alpha Phi Alpha Fraternity, Inc., Epsilon Lambda Chapter.

Commissioner Kenney was selected as a member of the 2009-2010 Missouri Bar Leadership Academy. Commissioner Kenney was also selected to receive the St. Louis Business Journal's 2009 Inclusive Leadership Award. Commissioner Kenney was named to the St. Louis Business Journal's Class of 2009 40 Under 40. He was also recognized in the 2008 *Missouri and Kansas Super Lawyers*, as a "Rising Star" in the Business Litigation practice area. Commissioner Kenney was also selected to appear in the Fifth and Sixth Editions of *Who's Who In Black St. Louis*.

Commissioner Kenney earned his undergraduate degree in 1994 from Hampton University in Hampton, Virginia. He earned his law degree in 1998 from Saint Louis University School of Law. While in law school, Commissioner Kenney was an Articles Editor for the *Saint Louis University Public Law Review*. He was also a member of the National Moot Court Team and the Moot Court Board. He is licensed to practice law in Missouri and Illinois (inactive).

Commissioner Kenney is married to Michelle (Oakley) Kenney. They have two children: daughter, Mackenzie; and son, Robert, Jr.

Missouri Hosts 2010 MARC Conference

Missouri hosted the 2010 Mid-America Regulatory Conference (MARC) on June 6-9 in Kansas City. The conference was chaired by Commissioner Jeff Davis, the 2009-10 MARC president.

More than 300 people attended from 15 mid-American states to discuss topics related to the electric, natural gas, water, sewer and telecommunication industries.

Several panel discussions were held on a variety of topics, including Smart Grid technologies, broadband implementation, electric transmission issues, cost recovery and energy efficiency.



BUDGET

Fiscal Year 2011

Public Service Commission

Personal Service	\$10,436,668
Expense & Equipment	\$2,577,477
Refunds*	<u>\$10,000</u>
Total	\$13,024,145
Full-Time Employees (F.T.E.)	194.00

Deaf Relay Service and Equipment Distribution Program

Expense & Equipment Appropriation	<u>\$2,500,000</u>
Total	\$2,500,000
F.T.E.	0.00

Manufactured Housing Department

Personal Service	\$341,404
Expense & Equipment	\$179,123
Program Specific Distribution & Refunds (MH)*	\$17,935
Subtotal	<u>\$538,462</u>

Program Specific Distribution MH Consumer Recovery**

	<u>\$192,000</u>
Total	\$730,462
F.T.E.	8.00

TOTAL BUDGET	\$16,254,607
TOTAL FTE	202.00

*These program specific distributions and refunds are estimated appropriations.

**Consumer Recovery Fund Appropriation

ORGANIZATIONAL FUNCTIONS

Executive Division

Wess Henderson, Executive Director

As appointing authority, the executive director directs the management, administration, operations, information and technology services and training, and work product of the Missouri Public Service Commission. There are five distinct divisions comprised of attorneys, accountants, engineers, economists and other professional staff who support the commission by providing legal and technical expertise. The executive director is responsible for leading the agency's strategic planning; technical and administrative policy and procedure development and implementation; and budgeting process. The executive director ensures work product of professional and technical staff meets or exceeds substantive standards within prescribed deadlines and serves as liaison between the commissioners and staff, between the commission and the

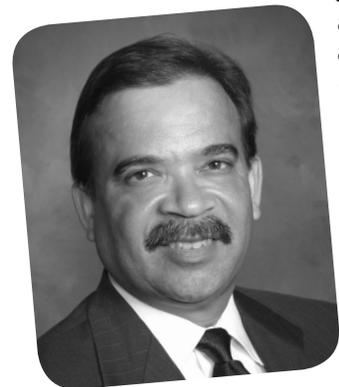
Department of Economic Development and serves as a primary contact with external entities as appropriate.



Administration and Regulatory Policy Division

Dana K. Joyce, Director

The Administration Division is responsible for managing the Commission's human and fiscal resources. The division has agency-wide responsibilities with departments that are responsible for the annual budget, fiscal services and procurement, human resources and payroll. The Regulatory Policy and Public Information Department, another unit of the division, develops and distributes information to the media on agency activities, responds to media requests, and provides utility consumer educational materials. The Legislative Coordinator, the agency's primary contact person with the General Assembly, is also assigned to this division and assists in responding to constituent inquiries.



Secretary/General Counsel Division

Steve Reed, Secretary/General Counsel

The General Counsel is authorized by statute to represent the Public Service Commission in all actions and proceedings, whether arising under the Public Service Commission Law or otherwise. Attorneys of the General Counsel's Office appear in state and federal trial and appellate courts on behalf of the commission. The General Counsel also provides legal advice to the commission and each commissioner as requested. When authorized by the commission, the General Counsel seeks civil penalties from persons or companies that have violated the Public Service Commission Law or the commission's regulations or orders. The General Counsel's Office also appears for the commission before the Federal Energy Regulatory Commission. Within the Secretary/General Counsel Division, the adjudication department is the PSC's quasi-judicial component. A staff of regulatory judges handle cases from their filing until their resolution. The assigned judge presides over the hearings, rules on objections and motions, and drafts all orders, as directed by the commission, for that particular case. The Data Center receives all incoming pleadings and issues all commission orders. In addition, the Data Center maintains and preserves the official case files, tariffs and other official documents of the commission.



Staff Counsel Division

Kevin A. Thompson, Chief Staff Counsel

Attorneys of the Staff Counsel Division represent the commission's staff in administrative matters before the commission. The Staff Counsel Division also provides legal advice to the commission's staff. The division houses the Consumer Services Department, the clearinghouse for all utility consumer inquiries. Consumer Services investigates and responds to complaints to ensure compliance with commission rules and utility tariffs. When a consumer has an issue that is not satisfactorily resolved after an initial contact with the utility, the consumer may call the PSC consumer hotline 1-800-392-4211 for assistance.



ORGANIZATIONAL FUNCTIONS

Utility Operations Division

Natelle Dietrich, 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 safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. The Manufactured Housing Department is governed by Sections 700.010-700.692 of the Revised Statutes of Missouri. This department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units; prescribing and enforcing uniform construction standards by conducting code inspections; and enforcing tie-down requirements. The division accomplishes its mission by making recommendations to the commission in the form of expert testimony, formal recommendations, and presentations.



Utility Services Division

Robert Schallenberg, Director

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



MISSION

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company.

The Missouri Public Service Commission 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 (PSC or commission) was created in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. Today, the PSC regulates approximately 700 investor-owned electric, natural gas, steam, telephone, and water and sewer utilities. In addition, the PSC regulates the operational safety of the state's 47 rural electric cooperatives and 42 municipally owned natural gas utilities. The PSC also regulates 187 manufacturers and 294 dealers of manufactured homes and modular units.

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

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Utility services and infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the PSC must assure the ratepaying public that quality services 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 chairman 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 enforcement. Many of the PSC's actions or decisions involve hearings of contested cases, which by statute must be transcribed by a court reporter. Hearings are held in a trial-like setting using evidentiary standards under the Missouri Administrative Procedures Act. The PSC must render decisions in a timely manner to afford all parties procedural and substantive due process, and comply with statutory time limits.

The PSC Staff

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

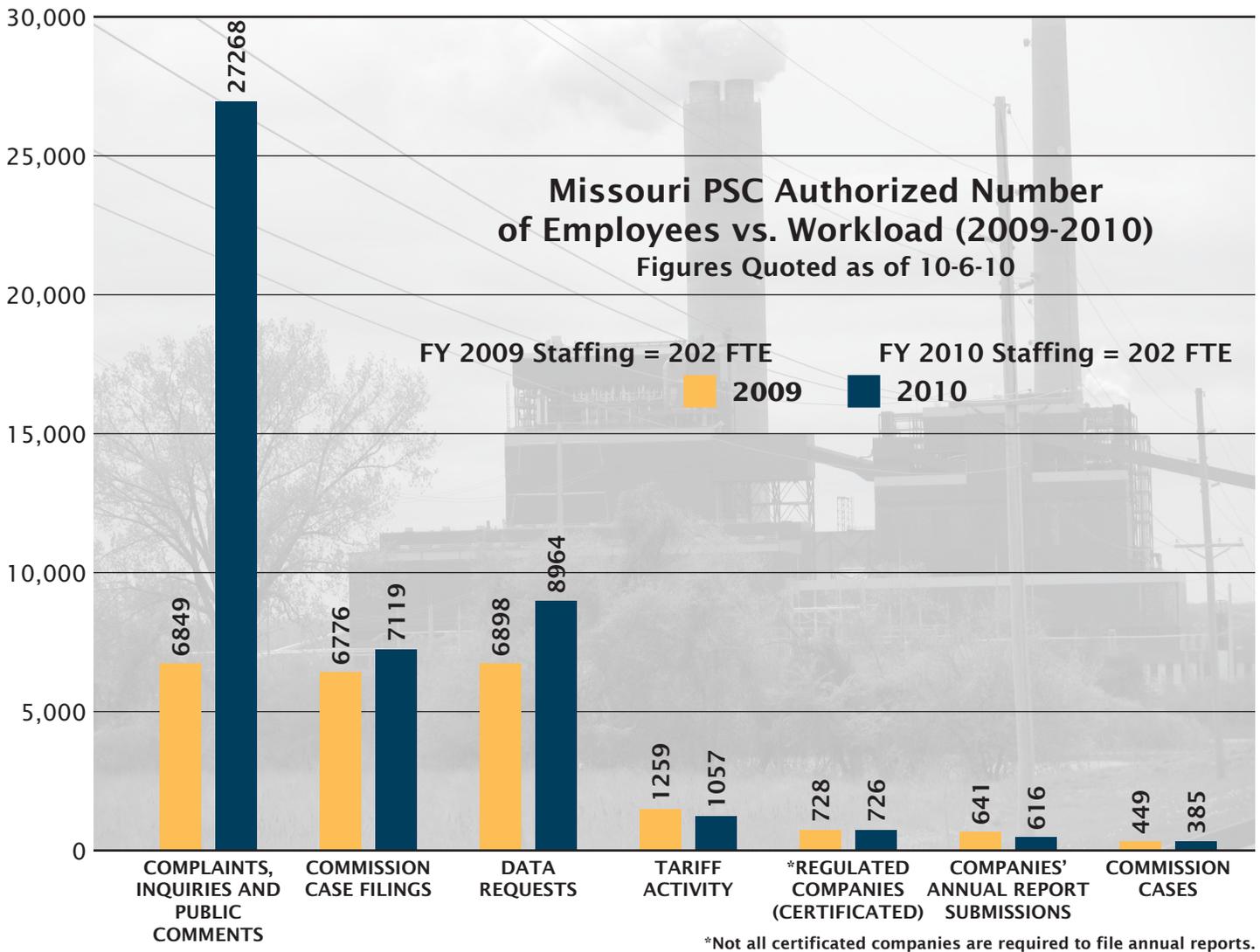
The staff participates as a party in all cases before the PSC, conducting audits of the books and records of utilities and making recommendations to the PSC regarding what type of rate increase, if any, should be granted. PSC staff recommendations, like those filed by other parties to a proceeding, are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

Weekly Agenda Meetings

The Public Service Commission holds weekly agenda meetings to discuss various cases, policies and rulemakings, and to issue its decisions. Those meetings are open to the public and are webcast on the PSC's website.

The Public Service Commission regulates approximately 700 investor-owned utilities in Missouri.

UTILITY ISSUES



ELECTRIC Rate Cases Decided

(ER-2010-0036)

Union Electric Company, d/b/a AmerenUE

On July 24, 2009, AmerenUE filed an electric rate case with the Public Service Commission seeking to increase annual electric revenues by approximately \$402 million. AmerenUE stated the rate increase was needed due to the company's increased costs of providing electric service to its customers. The PSC voted to grant an electric rate increase of approximately \$226.3 million on May 28, 2010.

As part of this case, the commission approved an agreement by several parties which would establish a pilot program to assist certain low-income customers with their electric bills.

The Empire District Electric Company (Case No. ER-2010-0130)

On October 29, 2009, The Empire District Electric Company (Empire) filed an electric rate case with the PSC seeking to increase annual electric revenues by approximately \$68.2 million. Empire stated the primary drivers for seeking rate relief were capital expenditures associated with the addition of the latan 1 pollution control facilities and Empire's participation in the construction and partial ownership of

UTILITY ISSUES

the Plum Point coal-fired generating facility. Plum Point is a generating unit with a projected capacity of approximately 665 MW of which Empire owns 50 MW and has an option to purchase another 50 MW.

The PSC approved an agreement between parties which granted an increase of approximately \$46.8 million. The rate increase reflected the addition of the Plum Point power plant which was deemed to be in service and fully operational by August 15, 2010. The agreement approved by the PSC was submitted by Empire, the Missouri Department of Natural Resources, City of Joplin, and the PSC Staff. The rate increase went into effect for service on and after September 10, 2010.

Commission Rulemakings

Electric Utility Resource Planning Rule Revisions

The PSC staff held a series of workshops with the investor-owned electric utilities, the Office of Public Counsel, the Missouri Department of Natural Resources, customers, consumer advocates and other stakeholders to gather input for revisions to Chapter 22-Electric Utility Resource Planning which had not been updated since the chapter was written in the early 1990's. The Commission also held two on-the-record hearings during which interested parties made presentations and the Commission gathered additional input for revisions to Chapter 22. The PSC staff will continue to support this rulemaking process with the goal of having Chapter 22 revised rules by early 2011.

Missouri Energy Efficiency Investment Act

The Missouri Energy Efficiency Investment Act (MEEIA), 393.1075 RSMo Supp. 2009 was passed by the Missouri legislature and signed by Governor Nixon in 2009.

The purpose of this act is to encourage investor-owned electric utilities to develop and implement energy efficiency programs. The PSC staff held three workshops with the investor-owned electric utilities, the Office of Public Counsel, the Missouri Department of Natural Resources, customers, consumer advocates and other stakeholders to draft rules to comply with MEEIA. Proposed MEEIA rules were sent to the Commission in June 2010. The PSC staff will continue to support this rulemaking process with the goal of having MEEIA rules by early 2011.

Renewable Energy Standards

In November 2008, the citizens of Missouri passed an initiative petition requiring Missouri investor-owned electric utilities to meet a given percentage of their customers' electricity needs through renewable energy beginning in 2011.

The initiative petition also requires that 2% of the renewable energy standard be met with solar power and requires the utilities to provide \$2/watt rebate for customers that install solar generation effective January 1, 2010.

Rules implementing the renewable energy standards (RES) were drafted after workshops and consultation with the Office of Public Counsel, the Missouri Department of Natural Resources, customers, consumer advocates, renewable energy industry representatives and other stakeholders. After considering formal comments from the stakeholders, the Commission adopted RES rules. These rules went into effect on September 30, 2010.

RESIDENTIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Idaho	6.52	1
West Virginia	6.77	2
Kentucky	8.31	6
Missouri	8.39	7
Nebraska	8.48	8
Oklahoma	8.59	12
Tennessee	9.31	16
Arkansas	9.32	17
Kansas	9.60	18
Iowa	9.87	19
Illinois	11.25	31
U.S. Total	11.55	
New York	17.80	48
Connecticut	20.36	49
Hawaii	24.20	50

COMMERCIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Idaho	6.52	1
West Virginia	6.77	2
Missouri	6.88	4
Oklahoma	6.90	5
Nebraska	7.32	10
Iowa	7.45	11
Kentucky	7.58	12
Arkansas	7.62	13
Kansas	7.97	18
Illinois	8.31	23
Tennessee	9.54	30
U.S. Total	10.21	
Connecticut	16.68	48
Massachusetts	17.80	49
Hawaii	21.86	50

INDUSTRIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Washington	4.34	1
Utah	4.80	2
Kentucky	4.89	4
Oklahoma	4.94	5
Iowa	5.17	7
Missouri	5.32	10
Nebraska	5.69	14
Arkansas	5.85	18
Kansas	6.17	23
Tennessee	6.74	30
U.S. Total	6.84	
Illinois	7.53	35
New Hampshire	13.51	48
Connecticut	16.81	49
Hawaii	18.14	50

Source: U.S. Energy Information Administration - 12 mos. Ending December 2009 - Table 5.6.B, *Electric Power Monthly*, March 2010

Other Electric Utility Activity

American Recovery and Reinvestment Act of 2009 (ARRA)

The Commission applied for and was awarded an ARRA grant of \$900,000 to be spent over a four year period to help facilitate timely consideration of dockets, demand-side management tariff filings, notices of inquiry, integrated resource plans, rulemakings and other regulatory actions pertaining to the ARRA electricity-related topical areas of: renewable energy, energy efficiency, demand response, energy storage, Smart Grid, plug-in hybrid electric vehicles, coal and carbon capture and storage, transmission and distribution.

The Commission hired an engineer and a policy analyst to work full time on this project. The grant also provides funding for existing PSC staff travel and training related to the ARRA electricity-related topical areas.

Smart Grid Workshops (EW-2009-0292)

The Commission established a case and conducted several workshops with interested parties to consider Smart Grid investment standards and Smart Grid information standards to comply with requirements of the Energy Independence and Security Act of 2007.

The Commission also held a one-day technology conference with utilities, vendors and interested parties to exchange information concerning Smart Grid technology and its potential impacts for the State of Missouri. The PSC and Missouri's electric utilities will continue to explore Smart Grid technology to include evaluation and analysis of Smart Grid in electric utility resource planning.

Fuel and Purchased Power Prudence Reviews

Three investor-owned electric utilities have approved fuel adjustment clauses through which the electric utility recovers from or refunds to customers 95 percent of fuel and purchased power costs, net of off-system sales, which have been under-collected or over-collected relative to a base amount set in the utility's last general rate case.

The PSC staff conducted separate prudence reviews of fuel and purchased power related costs included in the fuel adjustment clauses of KCP&L - Greater Missouri Operations and Empire. During each prudence review, the PSC staff investigated whether the conduct of the company's decision-makers was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively rather than in reliance on hindsight. The PSC staff found no decisional imprudence during either of these prudence reviews.

Staff also began a prudence review of AmerenUE's fuel and purchased power related costs. The results of the review were filed August 31, 2010.

KCP&L Greater Missouri Operations Electric Utility Resource Planning Filing (EE-2009-0237)

In August 2009, GMO filed its 2009 electric resource plan in accordance with the PSC's Chapter 22 rules. The PSC staff, the Office of Public Counsel, the Missouri Department of Natural Resources, and Dogwood Energy filed reports

which included deficiencies and concerns identified by each organization. The parties entered into a stipulation and agreement which was approved by the PSC in June, 2010. That agreement outlines steps to resolve all deficiencies through a stakeholder process and calls for GMO to refile its revised electric resource plan by December 17, 2010.

Federal Activity in Electric

Southwest Power Pool

During the 2010 fiscal year, the Commission was immersed in issues regarding the allocation of costs of transmission upgrades that affected service reliability and other economic concerns within the Southwest Power Pool (SPP) region.

SPP implemented its Synergistic Project Planning Team's (SPPT) white paper in April, changing SPP's direction from constructing transmission projects on a reactive basis (after generation plants had already been built) to a prospective basis (prior to building of planned generation locations). In order to move towards that goal, SPP, in conjunction with the state commissions, developed and filed at FERC in April 2010 a single-cost allocation methodology that could be used for all future transmission projects. [FERC Docket ER10-1069] The Commission intervened in this docket and filed comments.

This singular cost allocation methodology is referred to as "Highway Byway", and involves a greater sharing of costs of future transmission projects among the members of SPP. This greater sharing of costs has caused MoPSC staff to be even more involved in the development of transmission planning processes, as Missouri consumers will be responsible for a greater share of the cost of all transmission planned across the system.

Simultaneously, SPP created a set of "Priority Projects" to be built under the new Highway Byway cost allocation methodology. These projects include 175 miles of transmission to be built in northwest Missouri, at an approximate value of \$300 million.

The Regional State Committee (RSC), comprised of state commission members, was led this past year by Commissioner Jeff Davis. The RSC's working group, the Cost Allocation Working Group (CAWG), participated in the development of the "Highway Byway" cost allocation methodology. In addition, the CAWG worked on the estimates and project choices for the Priority Projects.

The Regional Tariff Working Group (RTWG) worked diligently throughout the year to implement the Highway Byway methodology. Additionally, the RTWG worked on the implementation of the new "Integration Transmission Planning Process" (ITP) to design transmission solutions on both a near-term and long-term basis on a three year cycle. [FERC Docket ER10-1269]

The Economic Studies Working Group (ESWG) is continuing its work on the modeling methodology to successfully implement the ITP. The ESWG has estimated the amount of wind that will be carried by the SPP transmission grid 20 years into the future.

UTILITY ISSUES

Midwest ISO

The Organization of MISO States (OMS) was heavily involved with the Midwest ISO's filing for a new cost allocation methodology. Commissioner Robert Kenney serves as treasurer of OMS. The OMS held a series of monthly meetings in its Cost Allocation and Regional Planning (CARP) process in order to develop a cost allocation methodology that all states in the Midwest ISO footprint could support. A compromise CARP position was approved on April 28, 2010 and sent to the Midwest ISO stakeholders.

MoPSC staff monitored Midwest ISO's Regional Expansion Criteria Benefits (RECB) process. The RECB meetings are used to determine the criteria utilized in planning what transmission projects are constructed in the Midwest ISO footprint. This process is expected to resume in the fall of 2010 with RECB III.

Additionally, OMS monitored Midwest ISO's efforts to change the calculation of prices at nodes on the transmission grid, a concept known as "Convex Hull Pricing". A change in the pricing mechanism utilized by Midwest ISO would affect the amount Missouri utilities would pay for energy bought from Midwest ISO, as well as the price Missouri utilities would receive when they sell energy through the Midwest ISO.

Federal Energy Regulatory Commission (FERC) Dockets

The Commission continued to participate in FERC dockets in the 2010 fiscal year regarding general FERC policies on transmission issues. The Commission filed comments in FERC dockets related to the creation of metrics to measure the actions of regional transmission organizations (RTOs) and independent system operators (ISOs). [FERC Docket AD10-5]

The Commission also participated in the construction of, and joined in OMS Comments related to, the proper compensation mechanism for demand response resources. [FERC Docket RM10-17]

NATURAL GAS Rate Cases Decided

Missouri Gas Energy (GR-2009-0355)

On April 1, 2009, Missouri Gas Energy (MGE) filed a rate request seeking to increase annual non-gas revenues by approximately \$32.4 million. MGE stated the rate request was needed to cover increased costs related to providing service to its customers. MGE also requested the continuation of the Straight Fixed Variable Rate Design (SFV) for its residential class and also sought a similar rate design for the small general service class.

After reviewing testimony and documents in the case, including a partial stipulation and agreement of the parties, the PSC approved an overall increase of approximately \$16.2 million in annual non-gas revenues effective February 28, 2010. Under the decision, MGE will maintain its SFV rate design for residential customers and was authorized a similar rate design for small general service customers.



As part of the stipulation and agreement in this case, MGE will be investing a minimum of \$1.5 million per year in new energy efficiency programs. The PSC also directed the parties to design programs to help low-usage customers.

The Empire District Gas Company (GR-2009-0434)

On June 5, 2009, The Empire District Gas Company (Empire Gas) filed revised rate schedules designed to increase Empire Gas' annual non-gas operating revenues by approximately \$2.9 million. Empire Gas requested the SFV rate design for its residential and small general service classes. After reviewing all testimony and documents filed in the case, including a stipulation and agreement, the Commission approved an overall \$2.6 million increase effective April 1, 2010. Empire Gas did not receive the SFV rate design; however, the PSC approved the equalization of rates in all of Empire Gas' districts. This is the first rate increase for Empire Gas since 2006. Empire Gas will be investing a minimum of \$231,000 per year in new energy efficiency programs. The PSC also directed the parties to design programs to empower customers to reduce their energy costs.

Atmos Energy Corporation (GR-2010-0192)

On December 28, 2009, Atmos Energy Corporation (Atmos) filed a rate request seeking to increase non-gas operating revenues by approximately \$6.4 million. Atmos requested to retain its SFV for its residential and small general service classes. Atmos stated that its request was tied to increases in certain operating costs as well as return requirements on approximately \$66 million in rate base. After reviewing all testimony and documents filed in the case, including a global stipulation and agreement of all the issues, the PSC approved an overall \$4.6 million increase effective September 1, 2010. Atmos' SFV rate design was discontinued voluntarily by Atmos as a part of the global settlement.

Atmos' prior rate case (GR-2006-0387), was remanded back to the PSC for additional deliberation. The global settlement reached in Atmos' current rate case also disposed of all issues in remanded rate case. Under the agreement, Atmos will continue to provide energy efficiency and conservation programs to its customers.

Laclede Gas Company (GR-2010-0171)

On December 4, 2009, Laclede Gas Company filed a rate request seeking to increase its non-gas annual operating revenues by approximately \$60.7 million including amounts it had been recovering through its Infrastructure Replacement Surcharge (ISRS). Laclede stated the rate request was needed to cover increased costs related to certain operating expenses and non-ISRS related investments.

After reviewing testimony and documents filed in the case including a stipulation and agreement between the parties, the PSC approved a net increase of approximately \$20.5 million in annual non-gas revenues for Laclede effective September 1, 2010. The stipulation and agreement also included annual funding of approximately \$1.7 million for cost-effective conservation and energy efficiency programs.

Other Natural Gas Utility Activity

Purchased Gas Adjustment/Actual Cost Adjustment Rulemaking Process

On January 15, 2010, the PSC authorized the PSC staff to begin a PGA/ACA rulemaking which includes roundtables with the regulated natural gas companies and other interested stakeholders.

The PSC staff and other interested stakeholders are currently reviewing the PGA/ACA process and will make recommendations to the five member Commission regarding PGA/ACA rules in the upcoming months.

Underground Utility Prevention

The PSC expressed concern about the large number of excavation damages to natural gas pipelines as well as to other underground facilities regulated by the PSC. GW-2010-0120 was established on October 14, 2009, as a vehicle to inform stakeholders of proposed draft legislation to revise Missouri's damage prevention statutes. This working docket contains background information, drafts of proposed legislation to revise Chapter 319, stakeholder comments to the proposed legislation, and other information.

Two stakeholder roundtables were held on October 21, 2009 and March 9, 2010. The PSC staff continues to work on proposed revisions to the damage prevention statutes based on the roundtables and comments submitted to the working docket.

One Call Grants

The Commission has been awarded One Call Grants the last three years totaling approximately \$50,000 to enhance public education/awareness about excavation damage prevention (call before you dig). Messages about preventing damage

to underground facilities were developed and broadcast on radio stations throughout Missouri.

Federal Natural Gas Activities

The PSC participates at the Federal Energy Regulatory Commission (FERC), which regulates interstate natural gas pipeline companies because decisions by the FERC directly affect Missouri natural gas consumers. The PSC actively participates in company-specific and generic proceedings at FERC, focusing on those pipelines having the greatest impact on Missouri consumers and/or those where representation of Missouri interests is otherwise limited or absent, to ensure that Missouri consumers receive reliable natural gas transportation service at reasonable rates.

Missouri's Local Distribution Companies (LDCs), including both natural gas utilities and electric utilities that generate energy with natural-gas-powered combustion turbines, must rely on FERC-regulated interstate pipelines for storage and delivery of their natural gas supplies. Currently 11 interstate pipelines physically located within the boundaries of the state of Missouri serve Missouri utility companies, with an additional 4-6 upstream pipelines providing transportation and, in some cases, natural-gas storage service.

The three pipelines delivering a majority of the state's natural gas to Missouri LDCs are: Panhandle Eastern Pipe Line Company, LP (Panhandle), Southern Star Central Gas Pipeline Inc. (Southern Star), and CenterPoint Energy-Mississippi River Transmission Corporation (MRT). Southern Star has several pipelines that serve the Kansas City, St. Joseph, Springfield and Joplin areas as well as a small lateral terminating in St. Louis. Panhandle serves Kansas City, central Missouri and St. Louis. MRT serves St. Louis and portions of southeast Missouri. In addition, Natural Gas Pipeline Company of America (NGPL) and Texas Eastern Transmission serve southeastern Missouri, ANR Pipeline Company serves northern Missouri and MoGas Pipeline serves from St. Louis to Rolla.

Department Focus during the 2010 Fiscal Year

NGPL Rate Case

FERC opened an overearnings investigation (**Docket No. RP10-147**) against NGPL on November 19, 2009. 60 parties and six state commissions, including the PSC, intervened in the NGPL investigation case. Interstate pipelines file rate cases to increase rates to cover operating costs, but, when pipelines are over-earning, there is no incentive to seek a rate reduction. NGPL was one of three interstate pipelines that FERC chose for investigation of earnings in excess of FERC ordered rates. Past FERC practices required interstate pipelines to file tri-annual cost and revenue studies. FERC stopped requiring these filings in the early 1990s as interstate pipelines were unbundled from ownership of the physical natural gas commodity. The provisions of the Natural Gas Act and the legal process at FERC place the burden of proof on the party challenging pipeline rates, making it an expensive and lengthy process. Few pipeline customers have the resources to file overearnings cases at FERC.

UTILITY ISSUES

In the investigation case, FERC staff alleged that NGPL was over earning by \$458 million annually. As a result, FERC ordered NGPL to file a cost of service study in February 2010. Settlement conferences between the parties resulted in a final settlement that reduced NGPL's existing fuel retention rate by 45%, firm transportation rates by 8% and storage rates by 3%. The settlement requires NGPL to provide fuel usage reports to FERC and to complete a cost and revenue study to be submitted on or before June 1, 2015.

FERC approved the settlement on July 29, 2010. Missouri natural gas consumers who receive gas delivered on the NGPL pipeline system should collectively see a reduction in the transportation cost of more than \$1 million annually as the reductions in both fuel retention and firm rates are phased-in.

Southern Star Cases of Interest

Southern Star has filed at FERC for approval to complete improvement/expansion projects at five of its Kansas natural gas storage fields. The PSC has intervened in three filed cases (**Docket No. CP07-89**, North Welda Storage Field, **Docket No. CP08-4**, South Welda Storage Field and this year in **Docket No. CP10-2**, Elk City Storage Field). The migration of natural gas out of Southern Star's storage fields and the alleged venting of natural gas from the storage fields by oil well producers have contributed to increased fuel losses. Southern Star's improvements and expansions at the natural gas storage fields should help reduce the amount of fuel lost from these fields, resulting in reduced costs to Missouri consumers.

The PSC also filed comments related to the Elk City project requesting additional information related to the project, Southern Star's request to sell the additional storage at market rates and the impact on current customers. The Kansas Corporation Commission (KCC) also filed comments asking for additional information. FERC issued an order on May 20, 2010, approving the project, except for the conversion of base gas to working gas without further documentation supporting that change. Southern Star amended its filing in July seeking approval again to convert base gas to working gas with additional documentation. FERC continues its review of the amended application.

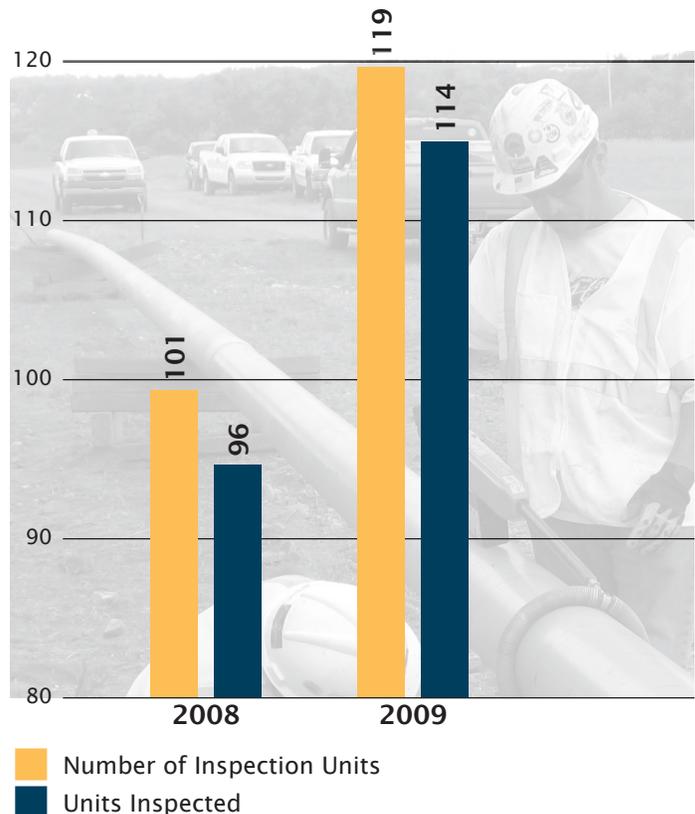
On January 21, 2009, in **Docket No. CP09-50**, Southern Star filed to replace approximately 2 miles of 12-inch pipeline near Warrensburg, Missouri, with 20-inch pipeline. This project is a continuation of Southern Star's replacement of pipeline sections originally placed in service during the 1930's. Southern Star will continue with additional phases of its pipeline replacement program in Missouri over the next 3-5 years. The PSC intervened in this case and monitored Southern Star's weekly construction reports filed at FERC. The reports demonstrated Southern Star's willingness to work with property owners during the construction process. This project was completed in December 2009.

On January 28, 2010, SSC filed FERC **Docket No. CP10-48** to replace an additional 2 miles of 12-inch pipe with 20-inch pipe in Johnson County, Missouri, the next phase of the project listed above, CP09-50. The PSC is monitoring the project in case there are landowner concerns.

Fuel Tracker Cases

The PSC has intervened in a number Fuel and Lost-and-Unaccounted-for-Gas (LUFG) cases in which interstate

Missouri Jurisdictional Gas Utilities Inspection Units - Gas Safety



pipelines have filed to increase their LUFG rates. LUFG rates are recovered through in-kind gas from shippers. Shippers on a given interstate pipeline are required to put gas into the system for the pipelines' use. Interstate pipelines typically use this gas in two ways: to fuel compression stations and to replace gas that the pipeline loses in the transportation process. Gas may be lost from a pipeline in several ways including leakage or during repair and maintenance of the pipeline. The FERC allows pipelines to adjust LUFG rates based upon the actual usage or fuel loss the pipeline has experienced during the last annual period. The majority of these Fuel and LUFG rate filings are accepted and approved by FERC without issue. The PSC intervenes, however, so it may participate in the event any proceedings or settlement discussions are necessary.

The PSC will continue to analyze fuel recovery cases of the interstate pipelines passing through Missouri to determine whether reductions of proposed in-kind fuel contributions are warranted.

MoGas Pipeline LLC Cases of Interest

At the end of June 2006, FERC regulated Missouri Interstate Gas LLC (MIG), and PSC regulated interstate pipelines, Missouri Pipeline Company LLC (MPC) and Missouri Gas Company LLC (MGC) applied at FERC (**Docket Nos. CP06-407 et al.**) to merge into a single interstate FERC-regulated pipeline. The PSC filed a protest with FERC, which identified excessive costs the pipelines included in

their estimated cost-of-service. On April 20, 2007, FERC issued an order authorizing the three affiliated pipelines to merge. The order also reduced MoGas' proposed tariff rates by approximately \$2 million.

The PSC challenged the FERC's order alleging that improper inclusion of an acquisition premium in the rate base of MIG resulted in overcharges to Missouri customers of approximately \$1.3 million annually. FERC denied the PSC's challenge. The PSC then appealed to the District of Columbia Circuit Court (**Docket No. 09-1121**) challenging FERC's inclusion of the acquisition premium in rate base. On April 13, 2010, the DC Circuit Court agreed with the PSC's arguments and vacated the FERC's order and remanded the case back to FERC.

On September 1, 2010, the FERC ordered the parties to hold a settlement conference date of September 16, 2010 to resolve the acquisition premium issue raised by the PSC. If no resolution of the issue occurs the issue will be set for hearing. The PSC will continue to support exclusion of these costs that are ultimately charged to Missouri natural gas customers.

On June 30, 2009 MoGas filed a rate case (**FERC Docket No. RP09-791**) requesting significant increases.¹ MoGas serves AmerenUE and Laclede Gas Company along with municipals and industrial customers from Sullivan to Fort Leonard Wood. MoGas' proposed cost-of-service, which was used to develop the proposed rates, increased from \$11.9 million approved by FERC in May 2008 to \$18.6 million. The PSC intervened in the case. The PSC conducted a review of numerous transactions in its analysis of MoGas' cost of service leading to proposed adjustments. The FERC staff's audit of MoGas resulted in numerous adjustments reducing the requested rates.

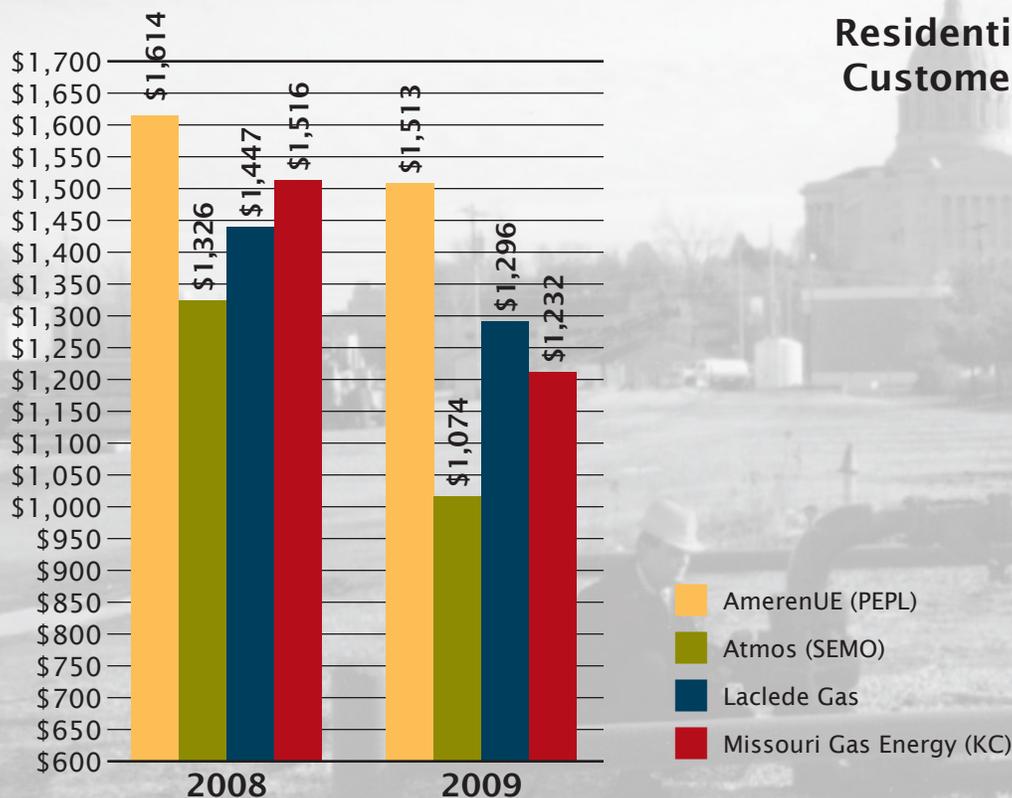
Settlement conferences were held beginning in December 2009 through February 2010, which resulted in rates substantially lower than the rates MoGas proposed.² FERC issued an order approving the settlement on July 30, 2010 and new rates went into effect on September 1, 2010. Customers will receive refunds for overcharges from January through July estimated at approximately \$2 million. The settlement also resulted in: a rate moratorium, effective until January 1, 2013; the requirement that MoGas must file an annual request for fuel and LUGF percentages collected from customers; and a cost of service study on or before December 31, 2014.

Tariff Changes to Meet FERC Compliance

This year FERC amended its regulations (Section 284.12), which establish standards for natural gas pipeline business practices and communication standards, to include requirements governing Index-Based Capacity Release and Flexible Delivery and Receipt Points. FERC Order 587-U, incorporating these changes was issued March 24, 2010. The changes are intended to increase the efficiency of the pipeline grid and make pipelines' electronic communications more secure. The PSC continues to participate in discussions of regulations that affect Missouri.

¹Mo Gas proposed to raise Zone 1 rates from \$5.873/Dth/Month to \$12.713/Dth/Month and Zone 2 rates from \$15.738/Dth/Month to \$25.463/Dth/Month.

²The firm transportation rate in Zone 1 will be \$12.385/MDQ and Zone 2 (with a combined Zone 1 & 2) rate of \$22/MDQ.



Residential Natural Gas Heating Customer Bill for Annual Usage of 120 Mcf

WATER AND SEWER DEPARTMENT

The Water and Sewer Department provides technical expertise in the operation of the water and sewer companies and analyzes applicable tariffs and tariff filings to ensure they are in compliance with appropriate state law, commission rule, and are fair for both the utility and consumer.

The main functions of the Water and Sewer Department are to assist small companies in their day-to-day operations, conduct inspections, assist customers, investigate customer complaints, work on tariff filings, review small and large company rate requests, and review applications for certificates of public convenience and necessity to ensure that a proposed utility is in the public interest.

The Department plays a key role in developing appropriate rates required for the utility to collect the revenues that have been approved by the PSC.

There are approximately 80 regulated water and/or sewer companies in the State of Missouri. Most of these companies are considered small or very small based upon those definitions as provided by the National Regulatory Research Institute (NRRI). One of the major challenges is providing the utility with reasonable rates to make needed repairs and Missouri Department of Natural Resources (DNR) mandated upgrades while at the same time keeping them reasonable for consumers.

In fulfilling its duties, the Water and Sewer Department also works very closely with DNR whose responsibilities include ensuring that the utilities are complying with the applicable federal and state environmental and water quality laws and regulations.

The PSC and DNR share information about the companies they regulate under a Memorandum of Understanding. This agreement includes provisions regarding the agencies' cooperation and coordination on overlapping matters such as DNR's issuance of construction and operating permits and the PSC's utility service area certification process.

The Department is also active in federal activities that impact water and sewer industries in Missouri. Many of the issues that are impacting these industries in Missouri are obstacles in the other states as well; therefore, the Department participates in working groups with NRRI and NARUC.

Case No. WW-2009-0386 is an open case that created a working group to investigate ways to address the major issues impacting the water and sewer industries in the State. Stakeholders in this process include the PSC staff, the Office of the Public Counsel, DNR, the Attorney General's Office, representatives from small water and sewer companies throughout the state, and large water and sewer companies. This is an important resource for the Water and Sewer Department and will continue to be utilized in the future.

TELECOMMUNICATIONS PSC Regulatory Authority

The Missouri Public Service Commission's regulatory authority over intrastate telecommunications services has changed over the past several years. House Bill 1779, implemented on August 28, 2008, deregulates and relaxes existing regulatory requirements for various telecommunications markets. During the past legislative session, House Bill 1750 was passed which requires the five largest incumbent local telephone companies in Missouri to reduce intrastate switched access rates.

The PSC continues to have limited authority over most landline or wireline telecommunications services including local telephone services, interexchange telecommunications (IXC) services, interconnected voice over the Internet protocol (VoIP) services, video services, payphone services, and shared tenant services. At a minimum, these entities are required to obtain a certificate of service authority or register with the Missouri PSC.

The PSC does not have authority over wireless services; nor does the Commission have authority over broadband or Internet access services. Nevertheless, to the extent the Commission has certain authority over telephone numbers; interconnection agreements, inter-company disputes and the administration of certain programs, providers of these services may have interaction with the PSC.

Forty-three incumbent local telephone companies currently operating within Missouri are regulated differently depending on whether a company meets certain criteria. Among these incumbent local telephone companies, traditional rate-of-return regulation still applies to 38 of these companies. However, if the company is a cooperative, then the Commission's rate-setting authority is limited to switched access rates. Price cap regulation applies to two companies and competitive regulation applies to three companies. As a result, these companies have essentially complete pricing flexibility. Legislation was recently implemented making it easier for companies to qualify for more relaxed forms of regulation.

In general, VoIP services are essentially deregulated; however, VoIP providers are required to comply with certain obligations such as contributing to the Relay Missouri and Missouri Universal Service funds. To date, 22 companies are registered with the Commission to provide VoIP service.

Competitive wireline telecommunications service providers not using VoIP technology are under minimal regulation. These companies generally have complete pricing flexibility but are required to maintain tariffs and comply with certain Commission rules. At present, 312 interexchange carriers and 117 competitive local exchange companies are under this form of regulation.

Missouri law allows video service providers to register with the Commission to provide video services and avoid obtaining local approval. The Commission's authority is solely limited to issuing state-issue video authorization. The Commission has no authority over a video service provider's rates or quality of service.

Currently 60 payphone providers and 12 shared tenant service providers have certificates of service authority to provide services in Missouri. These providers are not required to file tariffs.

Telephone Numbers

The Missouri Public Service Commission continues to be aggressive in its efforts to conserve telephone numbers in Missouri. Those efforts have enabled Missouri to delay the implementation of new area codes in the state. PSC efforts to delay new area code implementation includes ensuring that telecommunications carriers do not maintain excessive levels of unused blocks of telephone numbers. As a result, significant amounts of unused telephone number blocks have been returned for redistribution.

Missouri's area codes are projected to exhaust all available telephone numbers at the following time periods:

AREA CODE	PROJECTED DATE OF TELEPHONE NUMBER EXHAUSTION*
314	3rd quarter of 2020
417	2nd quarter of 2017
573	2nd quarter of 2017
636	2nd quarter of 2034
660	2nd quarter of 2022
816	1st quarter of 2020

*Forecast as approved by the FCC in April 2010. The exhaust dates are reviewed twice a year by numbering authorities.

Programs Administered by the Missouri Commission

Missouri Universal Service Fund: The Missouri Universal Service Board (Board), consisting of the Missouri PSC and Office of the Public Counsel, oversees the Missouri USF pursuant to Section 392.248 RSMo. The Missouri USF solely provides funding for discounted telecommunications services for qualifying low income and disabled customers. There are 71,582 subscribers in Missouri receiving support which represents a slight decrease over the past year. As of July 2010, the fund reserve balance was \$1,396,921 with average monthly incoming revenues of \$294,076 and average monthly outgoing funds of \$268,288. Funding is generated through an assessment applied to telecommunications company revenues. The assessment is currently .0029, which is applied to a company's retail Missouri net jurisdictional revenues.

Federal Universal Service Fund program: The federal USF program provides a variety of funding opportunities for providing telecommunications services. State regulatory commissions help the Federal Communications Commission (FCC) with administering certain aspects of the federal USF program, most notably high cost support as well as low-income assistance programs more commonly known as Lifeline programs.

State commissions can assist in determining if companies qualify and are appropriately using certain forms of federal

USF financial support. For example, in order to qualify for certain federal USF support, a company must meet certain state and federal criteria establishing the company as an eligible telecommunications carrier (ETC). ETCs receiving high cost federal USF support must also be annually certified by a state regulatory commission. Such annual certification is intended to ensure that companies are appropriately using the funding. 46 companies currently go through the annual certification process in order to continue to receive high cost federal USF support. These companies are comprised of 40 incumbent local telephone companies, three wireline competitive local exchange companies (CLECs) and three wireless companies.

During the past year certain companies have received ETC status in order to receive federal USF funding for Lifeline programs only. For example, dPi Teleconnect, Cricket and Budget Prepay, Inc. received such status in order to receive federal USF funding to provide a Lifeline-only service to consumers that meet certain low-income qualifications.

Relay Missouri: The Missouri PSC oversees the Relay Missouri service pursuant to Section 209.253 RSMo. Relay Missouri service is a statewide system using third party intervention to connect deaf, hearing-impaired and speech-impaired persons with the telephone system. A Relay Missouri fund is used to provide funding for this service. The Relay Missouri fund is also used to fund an equipment distribution program which is administered by the Missouri assistive technology council. Relay Missouri is funded by a surcharge applied to basic local telecommunications line service. Currently this surcharge is \$0.13 per month.

Relay Statistics: Usage for traditional relay service was 956,970 minutes during the July 1, 2009 through June 30, 2010 time period. This usage has declined by 38% over the past year as deaf and speech-impaired individuals appear to be switching from Relay Missouri service to other services such as Internet-based forms of relay service. CapTel usage was 648,123 minutes for the prior fiscal year, a 13% decrease. The adjusted June 2010 closing balance of the Relay Missouri fund was \$4,191,329.

Federal Telecom Activity

Commission members and Commission staff are active in several national organizations that deal with national telecommunications policy. Chairman Robert Clayton is a member of the **Telecommunications Committee of the National Association of Regulatory Utility Commissioners (NARUC)** and is assisted by a Missouri PSC staff member on the Telecommunications Staff Subcommittee. During the past year the committee studied such areas as universal service reform and the FCC's National Broadband Plan for broadband deployment.

Chairman Robert Clayton is also a member of the **North American Numbering Council**, a federal advisory committee designed to advise the FCC on telephone numbering issues and to make recommendations that foster efficient and impartial telephone number use and administration.

PSC Utility Operations Division Director Natelle Dietrich is a staff member of the federal **Universal Service Joint Board**.

UTILITY ISSUES

The Universal Service Board makes recommendations to the FCC on issues related to promoting universal telecommunications service throughout the United States.

The Missouri Public Service Commission continues to actively participate in a number of telecommunications issues before the FCC. During the past year, comments were filed in proceedings pertaining to Missouri's low-income program, universal service fund reform, and an inquiry for state commissions to gain access to the FCC's Network Outage Reporting System.

Special Projects

Video Report: The PSC submitted a report to the Missouri General Assembly on August 28, 2010 regarding the developments resulting from the implementation of the 2007 Video Services Providers Act. This report is the third of four annual reports. Since the Act's implementation on August 28, 2007, the Commission has issued 799 video service authorizations to 30 companies. Last year, the Commission issued 656 video service authorizations. Among the 799 state-issued video authorizations, wireline video service competition exists for 452 authorizations while 347 authorizations currently do not reflect a wireline video service competitor.

Mergers and Other Financial Transactions

Windstream purchases Iowa Telecommunications Services. Windstream is an incumbent local telephone company

operating in the territory formerly served by Alltel. Iowa Telecommunications Services is an incumbent local telephone company that serves a small number of customers in exchanges straddling the Missouri/Iowa border. Under this transaction Iowa Telecommunications Services became Windstream Iowa Communications, Inc. (Case No. IM-2010-0186).

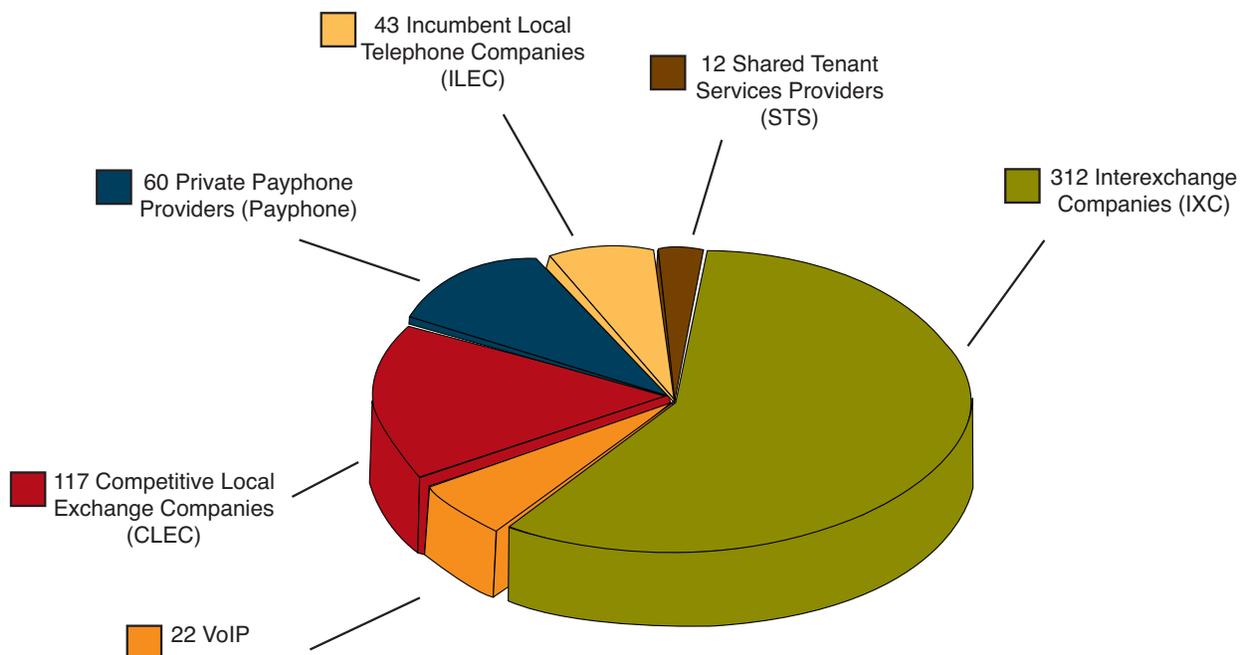
FairPoint Communications, an incumbent local telephone company operating in six Missouri exchanges, filed for bankruptcy. The company operates in territory formerly served by Cass County Telephone Company. Company operations in Missouri have remained unchanged as the company proceeds through bankruptcy proceedings.

CenturyLink purchases Qwest Communications. Century Link has incumbent telephone properties of Century Tel of Missouri d/b/a CenturyLink, Spectra d/b/a CenturyLink and Embarq d/b/a CenturyLink. Qwest Communications is an incumbent telephone company in states outside of Missouri; however, in Missouri, Qwest is certificated as a competitive local exchange carrier and an interexchange carrier. The transaction did not require Missouri Commission approval. The transaction is expected to be completed in 2011.

Wholesale Disputes

The following cases involving wholesale rates were filed and ultimately resolved. **Neutral Tandem** proposed a tariff filing establishing switched access rates. The case was created when an incumbent local telephone company raised

Telecommunications and VoIP Providers



issues regarding the proposal (Case No. TT-2010-0099). **Bandwidth.com** filed a proposed tariff establishing switched access rates. The case was created when an incumbent local telephone company raised issues regarding the proposal (Case No. IT-2010-0127). **Big River Telephone Company** proposed a tariff filing to establish foreign exchange service. An incumbent local telephone company raised issues regarding the proposal (Case No. TT-2010-0141). **AT&T Missouri, Inc.** filed complaints against 13 competitive local exchange companies. The complaints pertained to obtaining amendments to interconnection agreements involving AT&T and these companies (Case No. TC-2010-0107).

AT&T filed for arbitration with two Global Crossing affiliates. The case involved VoIP traffic compensation, commingling, dark fiber and routine network modifications. The Commission dismissed the case by citing lack of jurisdiction due to the parties' failure to comply with federal deadlines for such filings (Case No. IO-2010-0185).

Sprint filed a proposed tariff to establish a transit traffic charge. An incumbent local telephone company raised issues regarding the proposal. The filing was ultimately withdrawn (Case No. TT-2010-0094).

Pending Matters

Case No. TW-2010-0362 has been established to gather information in response to a request by the Missouri Senate

Committee on Commerce, Consumer Protection, Energy and the Environment regarding assessing the availability of broadband services within Missouri.

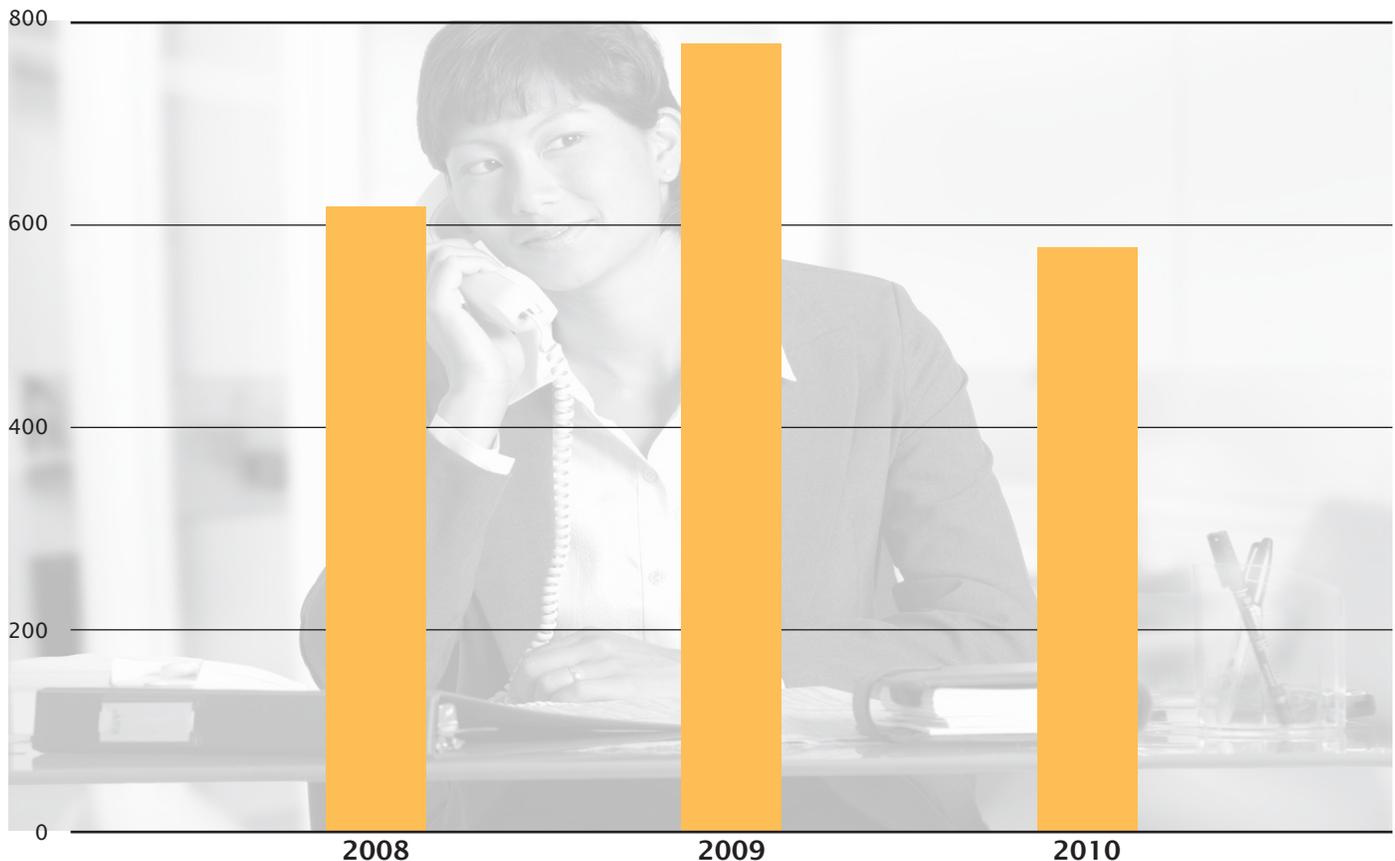
Rule revision regarding tariff administration. The rule-making ensures compliance with Missouri statutes on tariff filings pertaining to packages involving telecommunications services (Case No. TX-2010-0159).

Rule revision regarding the Commission's annual customer proprietary network information filing requirement. This rulemaking changed the annual filing from a separate filing to a filing that can be attached to a company's annual report to the Commission (Case No. TX-2010-0160).

A proposal by the Office of the Public Counsel (OPC) to establish rules relating to the establishment of billing and payment standards for residential customers. OPC is requesting the establishment of rules that protect consumers from separate fees for bills and payment of bills, restrictions on the use of pay stations and the availability of company customer service centers and other billing and payment practices for residential customers (Case No. AX-2010-0061).

AT&T Missouri, Inc. filed a complaint against **Sprint PCS** and **Nextel West Corporation**. The complaint is a billing dispute regarding whether appropriate payments are being made according to the interconnection agreement between AT&T and these two companies. The case is pending before the Commission (Case No. IC-2010-0358).

Annual Number of Tariff Filings



MANUFACTURED HOUSING AND MODULAR UNIT PROGRAM

The Commission's dispute resolution hearing process has reduced the number of formal complaints filed with the PSC.

The Manufactured Housing and Modular Units Program Department of the Missouri Public Service Commission is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units, as well as the installers of new manufactured (HUD) homes. The Department staff (staff) also prescribes and enforces uniform construction, safety and installation standards by conducting code and installation inspections, which includes enforcement of tie down and anchoring requirements.

The PSC has a toll-free hotline number for consumers who have questions or complaints regarding manufactured homes or modular units. Staff conducts **free** home inspections for consumers who file inspection requests with the PSC.

The toll-free number is **1-800-819-3180**. More information is available on the PSC website at www.psc.mo.gov. Once at the site, click on the manufactured housing tab at the top of the page.

The department received over 240 calls per month from consumers, manufacturers, retail dealers, installers, finance companies and local building code officials. Manufactured housing field staff conducted over 400 on-site and consumer complaint inspections during the past year. Staff was able to successfully resolve approximately 98% of the complaints by working with manufacturers, dealers, installers and homeowners.

In addition, staff conducts random on-site inspections prior to the completion of the installation of a home. On-site inspections can help identify any installation problems and those problems can be repaired before the installation of the home is completed, thus reducing repair costs and ensuring the consumer has a properly installed, longer lasting home.

In many cases, these on-site inspections are initiated or requested by the home installer, dealer or the home owner to ensure the site is properly prepared before the home is placed on the site.

Oversight and Regulation

Structures that are not properly installed may result in very expensive repair costs and those repairs can take weeks to complete. Most of today's homes and/or commercial units are multi-section structures and are installed on crawl spaces or basement foundations or below frost grade footings. Many of these structures have high pitched hinged roofs and require very specialized and expensive equipment to install.

Many multi-section units require several weeks to fully complete from site preparation to final close up and interior finish. Staff works with local communities around the state to ensure both manufactured homes and modular units are built to the applicable building and safety codes and are set up and installed according to applicable state standards.

Manufactured Homes & Modular Unit Sales

Approximately 1,116 new manufactured homes and modular units were sold in Missouri during FY 2010. In addition, 1,818 used homes were sold in the state.

Modular and manufactured homes fill a major housing void in many rural areas where site built homes are difficult to construct in a timely manner. Pursuant to a recent report published by the Governmental Accounting Office and the Federal Housing Institute, 5% of Missouri residents live in manufactured homes. In addition, commercial modular units are becoming a very popular and affordable alternative to site built commercial units.

Modular unit classrooms are a major component of affordable classrooms in many school districts throughout the state. Staff continues to work with school districts throughout the state to ensure these units are installed and anchored properly in order that schools have safe environments for all school children.

Commercial modular units range from small single section units to large 16 to 20 section multi-family structures. Other commercial units include very specialized units such as the Kidney Dialysis Units, banks and jails. Many of these commercial units can be delivered and fully operational within a very short period of time. Staff works with local building and code officials to ensure these structures meet the applicable commercial building code requirements under the International Building Codes (IBC).

New Legislation

The Commission worked with other interested parties in passage of Senate Bill 630 during the 2010 legislative session. The Missouri Manufactured Housing Association (MMHA) initiated the legislation and the PSC provided guidance and support.

A change in the bill included defining "HUD homes" to mirror the definition of "HUD home" for clarification purposes. In addition, the bill requires dealers who sell used homes to give consumers a written notice, signed and dated by the purchaser, that the setup of a used home is not regulated by the PSC. The bill also clarifies the titling of both HUD homes and Modular units.

Legal Action

During the past year, the Director of the Manufactured Housing and Modular Units Program filed complaints against various dealers and unlicensed entities for alleged violation of state laws.

Complaints were filed against certain dealers for selling damaged homes that did not comply with the applicable building codes; improper installation and anchoring; failing to deliver homes to consumers who had paid the dealer for the homes; and failing to make corrections in a timely manner. Civil penalties of approximately \$477,000 were

MANUFACTURED HOUSING

assessed against an installer last year for failing to properly install seven new HUD homes.

The Commission's dispute resolution hearing process has reduced the number of formal complaints filed with the PSC. This process includes on-site hearings, which are conducted at the home site with the homeowner, manufacturer, dealer, installer(s) and staff. Corrective action is identified by the staff and the responsible party is required to make the applicable changes. These hearings have reduced the legal cost for the industry, the consumer and the PSC.

Modular Building Codes

During the 2011 fiscal year, staff will be working with the industry to upgrade the modular unit building codes. The code updating process ensures these structures meet the latest standards followed by local building and code administrators. Often, local utility companies do not connect the utilities to a structure unless the Missouri modular seal is verified and attached to the structure. Staff worked to ensure modular homes and commercial units are built and installed according to applicable building codes and safety standards, thereby, providing safe and affordable housing.

STATISTICS FOR FISCAL YEAR 2009

Registered Manufacturers:	187
Registered Dealers:	294
Registered Installers:	121
Homes Sold (new & used):.....	2,934
Consumer Complaint Inspections:.....	117
On Site Inspections (SB 1096).....	294
Dealer Lots Inspected:	324
Modular Unit Seals Issued:	479
Modular Unit Plans Approved:.....	421
Installer Decals Issued (SB 1096).....	887

ENGINEERING AND MANAGEMENT SERVICES

The Engineering and Management Services Department performs utility service quality, managerial and depreciation analysis of Missouri regulated utilities.

Management Services Staff

Management analysts participated in a variety of cases and audit projects during 2010. EMSD staff continued to participate in the review of numerous small water and sewer companies to assist them in providing sound customer service and efficient and effective business practices.

The audit program, which has been refined over the years, is designed to assist small companies in a variety of areas including: customer billing, credit and collections, complaint handling, business office operations and is performed when a small utility requests a rate increase. The audit program includes follow-up and monitoring of the small utilities after completion of the audit report, and such follow-up work was also performed at a number of small companies.

Service quality analysis for 2010 was performed at a number of companies including: Aqua Missouri, Hickory Hills, Osage Water, Whiteside Hidden Acres, Woodland Acres, Lake Region, I.H. Utilities, Valley Woods Water and Sewer Companies, Mid-Mo Sanitation, Stockton Hills Water Company, Raytown Water Company, Suburban Water Company, Missouri Utilities, Timber Creek Sewer Company, RD Sewer, Lakeland Water Company and KMB Water and Sewer Companies.

Management analysts also participated in a complaint case filed against Missouri-American Water Company (WC-2010-0037), as well as a complaint case filed against Aqua Missouri Inc. (SC-2010-0150). Both cases involved matters related to billing and/or other service quality topics. As a result of SC-2010-0150, management analysts continue to perform follow-up activities regarding Aqua Missouri.

Staff participated in the Telecommunications Department's review of Universal Service Fund (USF) certifications of several utilities this year including: Farber Telephone, Kingdom Telephone, Peace Valley Telephone and TDS Communications. EMSD staff analyzed a variety of processes and practices during each of these four reviews including customer billing and payment remittance, credit and collections, local business office operations and the company's handling of customer complaints and inquiries. The department's audit work was similar to audits conducted on the small water and sewer companies described above.

The staff is currently participating in rate cases filed by Kansas City Power and Light Company and KCP&L-Greater Missouri Operations Company (ER-2010-0355 and ER-2010-0356). EMSD staff meets quarterly with these electric companies to address service quality topics as a result of the Great Plains Energy/Kansas City Power & Light Company/Aquila, Inc. merger (EM-2007-0367). Management analysts also participated in AmerenUE's natural gas rate case (GR-2010-0363) regarding meter reading processes.

Staff continues to receive and review quality of service reports from a variety of companies as a result of mergers and rate cases. These reports contain information regarding

customer service, including data on call center indicators such as average speed of answer (ASA) and abandoned call rate (ACR). Staff monitors call center performance of all the state's large regulated natural gas and electric companies as well as Missouri-American Water Company and Aqua Missouri. Staff specifically reviews and analyzes call center performance trends, and reviews often result in additional inquiry to the utilities regarding performance.

Engineering Staff

Department engineering staff performed depreciation analysis on a number of large and small utility companies during the fiscal year. The purpose of depreciation in a regulatory environment is to recover the original cost of capital investment from customers and to allocate those costs over the useful life of the assets.

Annual depreciation expense, distributed over the life of each asset, results in the full recovery of the original cost of capital assets. The engineers' objective is to propose depreciation rates that are fair and appropriate for each company as well as its customers. Plant addition and retirement data is studied in computer models that assist depreciation engineers in determining an average service life for utility assets. These engineers also participate in plant visits to observe the physical assets represented in the individual plant accounts that are being depreciated.

Missouri Public Service Commission rules provide specific requirements for utilities to maintain their plant records. Depreciation comprises a significant component of the cost used to develop utility rates paid by consumers.

During 2010, engineering staff conducted depreciation analysis in the context of several large utility rate cases including those filed by AmerenUE (ER-2009-0036); Atmos Energy Corporation (GR-2010-0192); The Empire District Electric Company (ER-2010-0130); The Empire District Gas Company (GR-2010-0434); Missouri Gas Energy (GR-2009-0355); and Laclede Gas Company (GR-2010-0171). Rate cases filed by Kansas City Power and Light and KCP&L-Greater Missouri Operations Company (ER-2010-0355 and ER-2010-0356); AmerenUE natural gas (GR-2010-0363); and Southern Missouri Natural Gas Company (GR-2010-0347) were also filed during 2010 and required depreciation analysis.

Engineers also performed depreciation analysis to determine the revenue requirement for several small water and sewer companies. In addition, these engineers performed depreciation analysis in the context of a rate case filed by Middlefork Water Company and participated in various water and sewer certificate and sale cases.

On-site work is often performed and assistance provided to small utilities as to the appropriate methods to book utility assets. Depreciation staff also performed an analysis in a depreciation case filed by Mid-Missouri Telephone (IU-2010-0164).

CONSUMER SERVICES

The Consumer Services Department responds to complaints and inquiries received by the commission. These complaints may be filed by mail, facsimile, e-mail or the commission's consumer toll free hotline **1-800-392-4211**. Complaints may also be submitted on-line through the commission's website.

Consumer services specialists receive, investigate and respond to billing and service issues involving natural gas, electric, water, sewer and telecommunications companies regulated by the commission.

The investigation of complaints may involve consulting with the commission's technical staff, utility representatives and researching utility tariffs as well as the commission rules and regulations.

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

Consumer service specialists also refer consumers to other agencies that may provide the needed assistance. The Consumer Services Department was involved in seven various outreach programs and energy fairs around the state, working to increase public awareness of commission activities.

Consumer Services Department FY2010

Calls and Complaints Handled:

Calls Handled in FY2010

- Complaints - 3314
- Inquiries - 7652
- Public Comments - 16302
- TOTAL - 27268

Complaints by Utility Type in Descending Order:

- Electric - 2981
- Gas - 2232
- Telephone - 2133
- Water - 839
- Sewer - 167

Formal Complaint Cases Handled by Consumer Services:

- Gas - 6
- Electric - 7
- TOTAL - 13

Consumer Savings for FY2010 - \$233,944

- 1st Qtr - \$82,272
- 2nd Qtr - \$22,107
- 3rd Qtr - \$71,683
- 4th Qtr - \$57,882

FY2010 Top Complaint Issues

- Gas - Discontinuance of Service, Billing Issues - (High Bill, Disputed Bill)
- Electric - Discontinuance of Service, Denial of Service, Deposit Requests
- Telephone - Service Quality Issues, Disputed Bill
- Water - Discontinuance of Service, Billing - (High Bill & Disputed Bill)
- Sewer - Disputed Bill

YEAR IN REVIEW

2009

July 8 - PSC holds agenda meeting in St. Louis marking the first time an agenda meeting has been held outside of Jefferson City in recent memory.

July 8 - PSC approves Missouri Gas Utility request to provide natural gas service to customers in Benton County near Cole Camp.

July 15 - Aqua Missouri, Inc. files water and sewer rate requests with the PSC seeking to change the water and sewer rates of its customers in 10 Missouri counties.

July 16 - PSC amends net-metering rules eliminating a requirement that customers generating 10 kilowatts or less of electricity carry liability insurance.

July 24 - PSC endorses customer choice on AT&T Missouri residential white pages telephone directories in Missouri's large metropolitan areas. Directories will still be available at no charge to customers who want them.

July 24 - Union Electric Company d/b/a AmerenUE files \$402 million electric rate case with the PSC.

July 29 - Governor Jay Nixon appoints Robert Kenney to the Public Service Commission.

August 24 - PSC holds second State of Electricity Industry presentation.

September 9 - PSC holds agenda meeting in Kansas City marking the first time an agenda meeting is held in Kansas City in recent memory.

September 19 - PSC observes telephone "Lifeline Awareness Week".

October 6 - PSC observes "National Customer Service Week". Commission announces consumers saved more than \$383,000 during 2009 fiscal year through efforts of the PSC and its Consumer Services Department.

October 21 - PSC holds damage prevention roundtable.

October 29 - The Empire District Electric Company files an electric rate case with the PSC seeking to increase annual electric operating revenues by approximately \$68.7 million.

October 30 - Missouri-American Water Company files a \$48.5 million water rate case and a \$143,000 sewer rate case with the PSC.

November 1 - PSC Cold Weather Rule takes effect.

December 4 - Laclede Gas Company files a natural gas rate case with the PSC seeking a net increase of approximately \$52.6 million.

December 28 - Atmos Energy Corporation files a natural gas rate case with the PSC seeking to increase annual natural gas revenues by approximately \$6.4 million.

2010

January 13 - PSC denies Union Electric Company d/b/a AmerenUE request for an interim electric rate increase of approximately \$37.3 million.

January 20 - PSC approves partial stipulation and agreement reached in The Empire District Gas Company natural gas rate case. The agreement called for an increase in annual natural gas operating revenues of approximately \$2.6 million. When the company filed its rate case on June 5, 2009, it sought an increase of approximately \$2.9 million.

February 10 - PSC grants Missouri Gas Energy a natural gas rate increase of approximately \$16.2 million. When MGE filed its rate case on April 2, 2009, it sought to increase annual natural gas operating revenues by approximately \$32.4 million.

March 11 - PSC kicks off national energy efficiency challenge.

March 22 - PSC approves rules on ethics and standard of conduct.

March 26 - PSC approves agreements reached in water and sewer rate cases filed by Aqua Missouri, Inc. Under the agreements, annual water operating revenues will increase by approximately \$145,200 and annual sewer operating revenues will increase by approximately \$204,780.

March 31 - PSC approves request filed by Missouri Gas Utility to provide natural gas service to Bolivar and Buffalo.

April 6 - PSC observes national safe digging month.

YEAR IN REVIEW

April 28 - PSC approves changes to electric utility reporting requirement rules.

May 12 - PSC approves Union Electric Company d/b/a AmerenUE renewable energy project-the facility will be fueled by landfill gas.

May 19 - PSC approves agreement reached in The Empire District Electric Company rate case. On August 18, 2010, the Commission approved an agreement which determined the Plum Point power plant was fully operational and used for service before August 15, 2010. The rate increase was approximately \$46.8 million.

May 28 - PSC issues decision in Union Electric Company d/b/a AmerenUE electric rate case. PSC decision grants an electric rate increase of approximately \$226.3 million. When the company filed its case on July 24, 2009, it sought to increase annual electric operating revenues by approximately \$402 million.

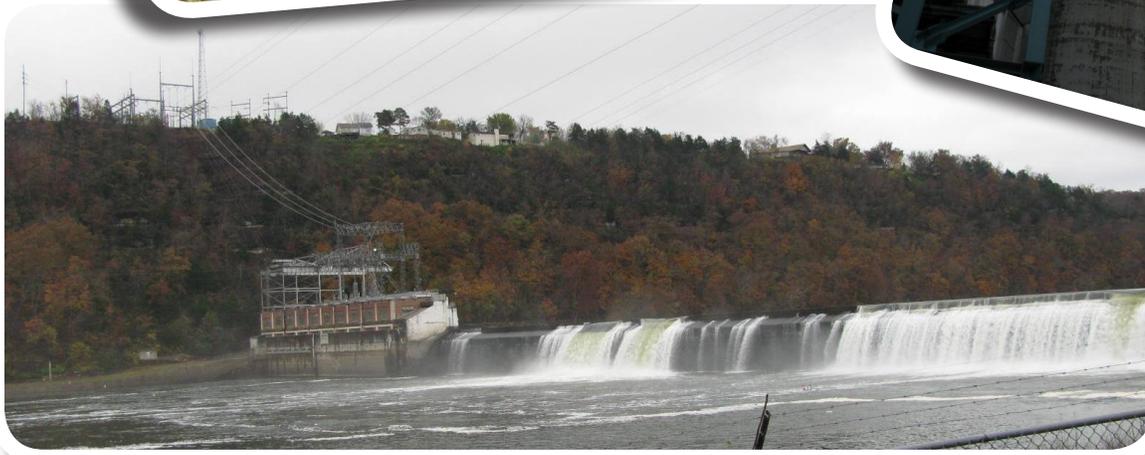
June 2 - PSC issues rules on renewable energy standards. Rules are designed to carry out Proposition C passed by Missouri voters in November 2008.

June 4 - Kansas City Power & Light files a \$92.1 million electric rate case with the PSC.

June 4 - KCP&L Greater Missouri Operations Company files an electric rate case with the PSC. Company seeks to increase annual electric operating revenues by approximately \$75.8 million in its MPS service territory and by approximately \$22.1 million in its L&P service territory.

June 11 - Union Electric Company d/b/a AmerenUE files a natural gas rate case with the PSC seeking to increase annual natural gas operating revenues by approximately \$11.9 million.

June 16 - PSC approves a stipulation and agreement which authorizes Missouri-American Water Company to increase annual water and sewer operating revenues by approximately \$28 million. The company sought an increase of approximately \$48.7 million in an October 30, 2009, filing.



STATISTICAL INFORMATION

RATE CASE DECISIONS DURING FISCAL YEAR 2010

ELECTRIC

Date of Order	Case No.	Company	Rate Request	PSC Decision
1/13/10	ER-2010-0036	AmerenUE	\$37,300,000	\$0 (1)
5/19/10	ER-2010-0130	Empire District Electric	\$68,200,000	\$46,800,000 (2)
5/28/10	ER-2010-0036	AmerenUE	\$402,000,000	\$226,300,000

NATURAL GAS

Date of Order	Case No.	Company	Rate Request	PSC Decision
1/20/10	GR-2009-0434	Empire District Gas	\$2,934,858	\$2,600,000
2/10/10	GR-2009-0355	Missouri Gas Energy	\$32,416,997	\$16,200,000

(1) Interim rate request

(2) This decision reflects an August 18, 2010 Commission order approving an agreement which determined the Plum Point power plant was fully operational and used for service before August 15, 2010.

WATER & SEWER RATE CASES

Case Number	Company	Effective Date	Increase Requested	Increase Granted
SR-2009-0392	Highway H Utilities	11/16/09	\$34,000	\$13,100
WR-2009-0393	Highway H Utilities	11/16/09	\$66,000	\$14,750
WR-2009-0395	Noel Water	11/12/09	\$75,000 - \$80,000	\$68,307
WR-2009-0418	Gladlo Water & Sewer	12/7/09	\$7,143	\$6,998
SR-2009-0419	Gladlo Water & Sewer	12/7/09	\$7,093	\$4,494
SR-2010-0023	AQUA, INC	2/1/10	\$13,200	\$3,305
WR-2010-0025	AQUA, INC	2/1/10	\$187,400	\$125,325
SR-2010-0026	AQUA, INC	2/1/10	\$325,400	\$201,482
WR-2010-0027	AQUA, INC	2/1/10	\$40,900	\$19,888
WR-2010-0048	IH Utilities	9/30/09	\$45,000	\$17,085
SR-2010-0095	Mid MO Sanitation	6/1/10	\$1	\$1
SR-2010-0110	Lake Region Water & Sewer	8/28/10	\$215,662	\$131,093
WR-2010-0111	Lake Region Water & Sewer	8/28/10	Combined	\$12,637
WR-2010-0131	Missouri-American Water Co	7/1/10	\$48,558,667	\$27,777,092
SR-2010-0135	Missouri-American Water Co	7/1/10	\$143,595	\$200,512
WR-2010-0139	Valley Woods Water Co	5/24/10		
SR-2010-0140	Valley Woods Water Co	5/24/10	\$1,488	\$11,569
WR-2010-0154	SK&M Water & Sewer Co	5/13/10	\$11,899	\$11,239
SR-2010-0155	SK&M Water & Sewer Co	5/13/10	\$7,933	\$11,500
WR-2010-0202	Stockton Hills Water Co	9/11/10	\$20,198	\$6,873
WR-2010-0304	Raytown Water	Pending	\$471,205	Pending
WR-2010-0309	Middlefork Water Co	Pending	\$55,000	Pending
SR-2010-0320	Timber Creek Sewer Co	Pending	\$63,500	Pending
WR-2010-0345	KMB Utility Corporation	Pending	\$10,000	Pending
SR-2010-0346	KMB Utility Corporation	Pending	\$2,100	Pending

STATISTICS

NATURAL GAS UTILITIES STATISTICS Calendar Year 2009 (Missouri Jurisdictional)

Name of Company	Operating Revenues	Mcfs Sold	Residential Customers	Total Customers
Atmos Energy Corporation	\$ 53,848,710	5,509,906	49,183	55,984
Empire District Gas Company, The	\$ 54,178,655	4,214,334	38,621	43,827
Laclede Gas Company	\$ 896,260,354	86,977,021	600,905	642,605
Missouri Gas Energy (1)	\$ 562,941,175	51,850,260	445,363	510,032
Missouri Gas Utility, Inc. (2)	\$ 2,282,512	165,660	1,292	1,529
Southern Missouri Natural Gas (3)	\$ 8,250,358	652,684	6,990	7,899
AmerenUE (4)	<u>\$ 163,105,731</u>	<u>11,551,866</u>	<u>112,724</u>	<u>125,904</u>
Totals:	<u>\$1,740,867,495</u>	<u>160,921,731</u>	<u>1,255,078</u>	<u>1,387,780</u>

Source: MoPSC FERC Form 2 2009 Annual Reports (Missouri Jurisdictional)

Notes:

(1) a division of Southern Union Company

(2) a subsidiary of Summit Utilities, Inc.

(3) Southern Missouri Gas Company, L.P. d/b/a Southern Missouri Natural Gas

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

ELECTRIC UTILITIES STATISTICS Calendar Year 2009 (Missouri Jurisdictional)

Name of Company	Operating Revenues	MWhs Sold	Residential Customers	Total Customers
KCP&L Greater Missouri Operations Company-L&P	\$ 126,978,949	2,090,097	58,330	66,145
KCP&L Greater Missouri Operations Company-MPS	\$ 486,176,531	5,778,110	215,063	245,865
Empire District Electric Company, The	\$ 350,878,076	4,036,696	125,030	148,684
Kansas City Power & Light Company	\$ 585,976,915	8,459,212	239,070	271,469
Union Electric Company (1)	<u>\$2,191,456,766</u>	<u>35,098,274</u>	<u>1,033,362</u>	<u>1,187,613</u>
Totals:	<u>\$3,741,467,237</u>	<u>55,462,389</u>	<u>1,670,855</u>	<u>1,919,776</u>

Source: MoPSC FERC Form 1 2009 Annual Reports (Missouri Jurisdictional)

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

STEAM STATISTICS Calendar Year 2009 (Missouri Jurisdictional)

Name of Company	Operating Revenues	MMBtus Sold	Residential Customers	Total Customers
KCP&L Greater Missouri Operations Co.	\$16,000,000	2,523,395	0	5
Trigen-Kansas City Energy Corp.	<u>\$19,417,923</u>	<u>1,742,018</u>	<u>0</u>	<u>57</u>
Totals:	<u>\$35,417,923</u>	<u>4,265,413</u>	<u>0</u>	<u>62</u>

Source: 2009 Annual Report

STAND ALONE WATER AND SEWER COMPANIES* CALENDAR YEAR 2009

Name of Water Company	Customers	Name of Sewer Company	Customers
Argyle Estates Water System	52	Cannon Home Association	99
Bilyeu Water Company	54	Central Rivers Wastewater Utility, Inc.	174
Empire District Electric Co.	4,569	EMC of St. Charles	15
Evergreen Lake Water Co.	64	House Springs Sewer Co.(1)	1,202
Franklin County Water Co.	186	M.P.B. Inc.	139
Gascony Water Co., Inc.	179	Meramec Sewer Co.	989
I H Utilities	714	Mid MO Sanitation	28
Kimberling City Water Company	112	Mill Creek Sewer Co.(1)	74
Lakeland Heights Water	121	North Oak Sewer	81
Loma Linda Development Inc. (2)	334	P.C.B. Inc.	282
Middlefork Water Co.	2	RD Sewer	175
Midland Water Co.	94	RDG Development, LLC (2)	30
Moore Bend Water Co.	88	S. T. Ventures (2)	85
Noel Water Co.	665	Taneycomo Highlands	24
Oakbrier Water Co.	59	TBJ Sewer Systems, Inc.	56
Ozark Shores Water Co.	1,764	Timber Creek Sewer Co.	1,320
Public Funding Corp of Ozark	218	Village Water & Sewer	234
Raytown Water Co.	6,724	Warren County Sewer Co.	35
Rex Deffenderfer Enterprises Inc.	1,108	West 16th Street	145
Riverfork Water Co.	143	WPC Sewer Co.	67
Spokane Highlands Water Co.	49		
Stockton Hills Water Co.	161	Total Number of Customers	5,254
Suburban Water Co.	153		
Tri-States Utility Co.	3,117		
U.S. Water/Lexington (2)	2,183		
Village Greens Water Co.	49		
Whispering Hills Water Co.	56		
Whiteside Hidden Acres, LLC	37		
Woodland Acres Water System	15		
Woodland Manor Water Co.	160		
Total Number of Customers	23,230		

*Active Companies as of 9/1/10. Customer numbers based on most recent data available (except Middlefork Water Company which provides water to Grant City and Stanberry which buy the water wholesale to provide to approximately 2,100 customers.)

(1) Operating Under Receivership

(2) Sale/Transfer Pending

STATISTICS

COMBINATION WATER AND SEWER COMPANIES* CALENDAR YEAR 2009

Company Name	Water Customers	Sewer Customers
Algonquin Water Resources	917	385
Aqua Missouri, Inc.	1,671	2,165
Bear Creek (2)	46	33
Brandco Investments	206	206
Calvey Brook	0	0
Emerald Pointe Utility Co.	309	287
Envirowater	0	0
Foxfire	325	181
Gladlo Water & Sewer Co. (1)	67	64
Hickory Hills Water & Sewer Co.(1)	48	47
Highway H Utilities, Inc.	858	282
KMB Utility Corp.	541	189
Lake Northwoods Utility Co.	20	20
Lake Region Water and Sewer Co.	637	1,162
Missouri-American Water Co.	455,000	1,228
Missouri Utilities Co. (1)	155	130
Osage Water Co. (1)	418	386
Peaceful Valley Service Co.	164	164
Port Perry Service Co.	261	175
Roark Water and Sewer	667	630
Rogue Creek Utilities (1)	92	90
Roy L Utilities, Inc.	53	53
S K & M Water & Sewer Co.	286	152
Seges Mobile Home Park	61	61
Southtown Utilities Co., Inc.	53	53
Taney County Utilities Corp.	531	73
Terre Du Lac Utilities Corp.	1,278	1,174
Valley Woods Water Co.	40	35
Willows Utility Co.	200	200
Total Number of Customers	464,904	9,625

*Active Companies as of 9/1/10. Customer numbers based on most recent data available.

(1) Operating Under Receivership

(2) Sale/Transfer Pending

CONTACTING THE PSC

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

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

St. Louis: Missouri Public Service Commission
111 North 7th Street, Suite 105
St. Louis, MO 63101
Telephone No.: (314) 340-4700
Fax: (314) 340-4725

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

Web site address: www.psc.mo.gov

PSC COMMISSIONERS PAST AND PRESENT

COMMISSIONER	LENGTH OF SERVICE	COMMISSIONER	LENGTH OF SERVICE
John M. Atkinson	1913-1916	Frank Collier	1953-1954
William F. Woerner	1913-1914	M.J. McQueen	1954-1956
John Kennish	1913-1917; 1920	D.D. McDonald	1955-1961
Frank A. Wightman	1913-1915	William Barton	1956-1965
Howard B. Shaw	1913-1917	Frank J. Iuen	1959-1963
Edwin J. Bean	1914-1925	Frank W. May	1961-1967
Eugene McQuillin	1915-1917	Donal D. Guffey	1963-1968
William G. Busby	1916-1921	William R. Clark	1965-1975
David E. Blair	1917-1920	Charles J. Fain	1965-1977
Noah W. Simpson	1917-1923	Howard Elliot, Jr.	1967-1970
Edward Flad	1917-1921	Marvin E. Jones	1967-1973
John A. Kurtz	1920-1923	Willard D. Reine	1968-1975
Hugh McIndoe	1921-1923	James F. Mauze	1971-1975
A.J. O'Reilly	1921-1925	A. Robert Pierce, Jr.	1973-1977
Richard H. Musser	1923-1925	James P. Mulvaney	1975-1977
Merrill E. Otis	1923-1924	Stephen B. Jones	1975-1979
Thomas J. Brown	1923-1928	Hugh A. Sprague	1975-1979
D.E. Calfee	1925-1929	Charles J. Fraas	1977-1983
Almon Ing	1925-1933	Leah Brock McCartney	1977-1983
S.M. Hutchinson	1925-1931	Alberta Slavin	1977-1981
J.H. Porter	1925-1933	Stephanie Bryant	1979-1981
James P. Painter	1928-1929	Larry W. Dority	1979-1983
Milton R. Stahl	1929-1933	John C. Shapleigh	1981-1984
J. Fred Hull	1929-1934	Charlotte Musgrave	1981-1988
George H. English	1931-1936	Allan G. Mueller	1983-1996
J.C. Collet	1933-1935	Connie Hendren	1983-1989
William Stoecker	1933-1936	James M. Fischer	1984-1989
W.M. Anderson	1933-1938	William D. Steinmeier	1984-1992
Harry E. McPherson	1934-1935	David Rauch	1989-1993
Sam O. Hargus	1935-1937	Kenneth McClure	1990-1997
John S. Boyer	1935-1941	Ruby Letsch-Roderique	1990-1991
Albert D. Nortoni	1936-1938	Patricia Perkins	1991-1995
John A. Ferguson	1936-1944	Duncan Kincheloe	1992-1997
J.D. James	1937-1942	Harold Crumpton	1993-2000
Marion S. Francis	1938-1941	M. Dianne Drainer	1995-2001
Scott Wilson	1938-1941	Karl Zobrist	1996-1997
Paul Van Osdol	1941-1943	Robert Schemenauer	1998-2001
Frederick Stueck	1941-1943	Sheila Lumpe	1997-2003
Kyle Williams	1941-1952	Connie Murray	1997-2009
Charles L. Henson	1942-1959	Kelvin Simmons	2000-2003
Albert Miller	1943-1944	Bryan Forbis	2001-2003
Richard Arens	1944-1945	Steve Gaw	2001-2007
Agnes Mae Wilson	1943-1949	Linward "Lin" Appling	2004-2008
E.L. McClintock	1945-1967	Robert Clayton III	2003-present
Morris E. Osburn	1945-1952	Jeff Davis	2004-present
John P. Randolph	1949-1951	Terry Jarrett	2007-present
Henry McKay Cary	1950-1955	Kevin Gunn	2008-present
Maurice Covert	1952-1953	Robert S. Kenney	2009-present
Tyre W. Burton	1952-1965		

