

Charges That May Appear on Your Utility Bill

There are various types of charges that may appear on your utility bill each month. The following information attempts to explain some of those charges.

PURCHASED GAS ADJUSTMENT

The Purchased Gas Adjustment (**PGA**) charge appears on the monthly bills of Commission-regulated natural gas companies. The PGA is a mechanism which allows the local natural gas company to increase or decrease charges for natural gas to periodically account for fluctuations in the wholesale price of natural gas that suppliers charge the local natural gas company.

ENERGY EFFICIENCY INVESTMENT CHARGE OR DEMAND-SIDE PROGRAMS INVESTMENT MECHANISM

Energy Efficiency Investment Charge or Demand-Side Programs Investment Mechanism (**EEIC, EEC, DSIM**) is a charge which encourages utility companies to implement demand-side and energy efficiency programs. The mechanism is reflected as a separate line item on customer bills and allows utilities to receive cost recovery of program costs, lost revenues and a utility incentive. The energy efficiency framework was part of the Missouri Energy Efficiency Investment Act (MEEIA) created by legislation passed in 2009.

INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE

Infrastructure System Replacement Surcharge (**ISRS**) appears on bills of most of the natural gas companies under the regulation of the Missouri Public Service Commission. The ISRS was created by legislation in 2003. The surcharge is designed to provide the utility company more timely recovery of a portion of the expenditures it incurs for certain infrastructure (pipeline system) projects that were completed after the company's most recent rate case.

Many utility companies have plans in place to replace aging infrastructure on a yearly basis. In addition, there are times when pipelines need to be relocated in connection with local, state and federal public improvement and safety requirements. The ISRS reflects recovery of costs associated with these types of activities. The ISRS on customer bills can change twice a year. The ISRS is re-set to zero when the Commission reaches a decision in a general rate increase request filed by the company because any amounts not recovered will be included in permanent rates.

An ISRS charge also appears on the bills of Missouri-American Water Company water customers who live in St. Louis County.

RENEWABLE ENERGY STANDARD RATE ADJUSTMENT MECHANISM

Renewable Energy Standard Rate Adjustment Mechanism (**RESRAM**) is a charge that may appear on the bills of electric customers to reflect renewable energy costs. A RESRAM allows electric companies to adjust rates outside of a general electric rate case to reflect prudently incurred renewable energy standard costs (such as solar and wind). These costs would be costs above renewable energy costs already included in the company's base rates. This renewable energy standard rate adjustment mechanism was allowed by legislation passed in 2008.

FUEL ADJUSTMENT CHARGE

Fuel Adjustment Charge (**FAC**) is designed to address fuel and purchased power cost volatility, as well as, company off-system sales revenues. These costs can go up and down.

The FAC attempts to capture those costs in a more timely fashion. If those costs decrease, the customer receives more timely benefit of lower rates. If costs increase, the company can recover those costs more quickly.

An annual true-up is necessary to reflect actual customer usage for that period of time reflected in the FAC charge. If an over-collection or under-collection has occurred, it is ultimately reflected as an adjustment in the customer's FAC.

The FAC has been on the electric bills of some customers since 2007. The charge was allowed by legislation passed in 2006.

REVENUE STABILIZATION MECHANISM

The Revenue Stabilization Mechanism (**RSM**) is a charge that could appear on the monthly bills of Commission-regulated natural gas, electric or water companies. The natural gas and electric RSM is a mechanism that allows for periodic rate adjustments outside of a general rate case to reflect the effects of increases or decreases in residential and commercial customer usage due to variations in weather, conservation or both. A **Weather Normalization Adjustment Rider (WNAR)** is a type of RSM that projects anticipated changes in natural gas usage due to weather that is either warmer or colder than normal. The water RSM makes similar adjustments but the adjustments are to reflect any revenue variation resulting from increases or decreases in residential, commercial, public authority, and sale for resale usage.