

PSC 101

Utility service and infrastructure are essential to the economy and the daily lives of the citizens of Missouri.

They provide heating and cooling during extreme temperatures. They also provide safe drinking water and environmentally sound disposal of

wastewater. They offer access to emergency services and vital information systems. Almost every Missouri citizen receives some form of utility service (electricity, natural gas, water, wastewater or telephone) from a company regulated by the Missouri Public Service Commission (Commission or PSC).

The Commission has the statutory responsibility of ensuring that consumers receive “safe and adequate” service at rates that are “just and reasonable.” According to the law, those rates must be set at a level which will provide the companies’ shareholders with an opportunity to earn a reasonable return on their investment. It is important to note that the opportunity for shareholders to earn a reasonable return on their investment to maintain market viability is in no way equivalent to a guarantee by the Commission that any particular return will in fact be earned by the utility. Rates should also be set at a level to allow a utility to recover its ongoing level of prudently incurred expenses that are necessary in order to provide utility services.

General rate cases are complex and can, at times, draw much public attention. The five Commissioners will ultimately decide the case based upon a thorough review of the evidence in the case submitted by all participating parties in the proceeding including the Commission Staff.

WHAT IS THE COMMISSION STAFF’S ROLE?

The Commission Staff plays a key role in the development of rate case evidence through its audit of the books and records of the company seeking a rate increase.

Staff is an independent, neutral party separate from the Commissioners for purposes of a rate case proceeding. Staff’s job is to present a set of positions regarding the requested rate increase it believes will be the best balance between the needs of the utility and the needs of the public.

When the rate case is filed with the Commission, the utility will file “testimony” from various utility employees and consultants that summarize and describe the utility’s reasoning for seeking a rate increase. Similarly, at the end of its audit, Staff will file testimony or reports that summarize its audit findings, conclusions and recommendations concerning the rate increase request.

The Commission will examine all of the testimony and other filings made by the company and every other party in the rate case to make its decision on the request.

Staff will spend several months conducting its audit in order to develop its recommendations as to the amount of an increase, if any, that should be granted. During its audit, the Staff will examine all of the utility’s costs it incurs to provide service to its customers.

Staff will carefully review the books and records of the company, including the general ledger, invoices, contracts, financial statements, actuarial reports, Board of Director’s materials

and many other internal documents. When reviewing these items, Staff looks for upward or downward trends in the company's current costs compared to past levels, the reasons for material increases and decreases in the company's major costs and the existence of any unusual or abnormal costs.

As part of its review, Staff tours and inspects various utility facilities, interviews company personnel, and investigates service complaints.

After its review, Staff recommends which and how much of the Company's costs should be recovered in customer rates (an amount commonly referred to as the "cost of service") by filing testimony or a report summarizing their audit and investigation findings.

However, Staff's job is not finished when it has determined an overall cost of service. Staff must still determine how much of the cost of service

should be recouped from the various classes of customers (such as residential, commercial and industrial). This process of allocating a cost of service amount among customer classes is commonly referred to as "rate design."

Rate design recommendations are normally based upon a "class cost of service study." This type of study also provides information useful in formulating recommendations as to the amount of the "customer charge" (a monthly fixed rate charge on the customer bill) and the amount of the commodity charge (variable charge on the bill based upon the customer's actual usage of the utility service for a month).

Rate cases may be resolved through negotiation of the parties (including Staff), or through the hearing process before the Commission. For cases that go to hearing, assigned Staff must take the witness stand and undergo cross-examination by opposing parties, as well as questioning from the Commissioners.

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COMMISSIONERS AND COMMISSION STAFF



Daniel Y. Hall
Chairman



Stephen M. Stoll



William P. Kenney



Scott T. Rupp



Maida J. Coleman

The Missouri Public Service Commission 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.

Commissioners are responsible for deciding cases brought before it by utilities it regulates, as well as by customers of those utilities, or by interested stakeholders.

The Staff of the Public Service Commission (Staff) is a separate body within the agency. Staff is a party in every case that is filed with the Commission. It conducts audits of the books and records of utilities and makes recommendations to the Commission. Staff recommendations, like those filed by other parties in a proceeding, are evaluated by the commissioners in reaching a decision. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The Commission has established standards for safety and quality of service to which companies must adhere. Routine and special investigations of utilities are conducted by the Staff to ensure compliance.

The PSC Staff is made up of professionals in the fields of accounting, consumer affairs, economics, engineering, finance, law and management.

THE MISSOURI PUBLIC SERVICE COMMISSION

WHAT WE REGULATE:

- ✓ **Electric companies**
that collectively serve more than 1.9 million customers
- ✓ **Natural gas companies**
that collectively serve nearly 1.4 million customers
- ✓ **Water and sewer companies**
that collectively serve nearly 500,000 water customers and
approximately 22,000 sewer customers
- ✓ **Manufacturers, dealers and installers**
of new manufactured homes and modular units

WHAT WE DON'T REGULATE:

- ⊗ **Cellphones**
- ⊗ **Internet providers**
- ⊗ **Paging services**
- ⊗ **Cable television rates or service**
- ⊗ **Trash pick-up service**
- ⊗ **Financial institutions**
- ⊗ **Retail telecommunications services**
- ⊗ **Rates of municipally-owned utilities, rural cooperatives or
public water and sewer districts**

• The Commission has limited jurisdiction over telecommunications companies •

GUIDE TO PSC LOCAL PUBLIC HEARINGS

Each year, the Missouri Public Service Commission holds several local public hearings across the state to give consumers an opportunity to speak directly to Public Service Commissioners who will be making decisions in pending cases. Local public hearings provide a forum for consumers to express their views, opinions and concerns about a case before the Commission. Consumers can also bring any service-related problems to the Commissioners' attention.

Who Participates In A Local Public Hearing?

- Affected customers
- Public Service Commissioners
- A PSC Regulatory Law Judge
- Parties to the case (which includes the PSC staff, the Office of the Public Counsel, representatives of utility companies, and others interested in the case)

How Will A Local Public Hearing Proceed?

A Commission regulatory law judge presides over the hearing. At the start, the judge will introduce the members of the Commission and explain how the local public hearing process works. Witnesses will be asked to testify. Witnesses appearing before the Commission are not allowed to ask questions of the Commissioners. Because the case is still pending, Commissioners are not allowed to comment on the proceedings.

Witnesses Who Testify



PSC Commissioners, William Kenney, *left*, and Maida Coleman, with Regulatory Law Judge Nancy Wahrenbrock Dippell, *center*, listen to testimony at a local public hearing.

Witnesses are sworn in so their comments can be included as part of the official record in the case. Witnesses will be asked to state their name and address for the record. Local public hearing statements are considered evidence and part of the official record that the Commission considers when making its decision in the case.

Making A Statement

Those wishing to make a statement before the Commission should sign the witness list before the public hearing begins. The regulatory law judge will call witnesses from this list during the local public hearing. Once a witness has testified, Commissioners may ask questions in order to clarify the comments and concerns.