



## Mission

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 was created in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. Today, the PSC regulates approximately 800 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 40 municipally owned natural gas utilities. The PSC also regulates 182 manufacturers and 271 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, eco-

nomics, 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.

## Legislation

In 2008, the General Assembly passed and the governor signed several new pieces of legislation relating to utility regulation, including:

**SB 720** — The bill establishes a “hot weather rule” from June 1 to September 30th. During this time, natural gas or electricity providers are prohibited from disconnecting service to residential customers on days when either the temperature is expected to rise above 95 degrees or the heat index is expected to rise above 105 degrees for the following 24-hour period or on days when service personnel will not be available to reconnect service and the temperature or heat index is expected to rise above these marks.

A section of this legislation provides retroactive approval for the construction of electric plants by the PSC. The PSC’s authority under this section expires August 28, 2009.

**SB 788** — The bill establishes

the “Manufactured Housing Customer Recovery Fund” for the purposes of paying consumer claims pursuant to the procedures the commission promulgates by rule.

The law requires every manufacturer of a manufactured home or modular unit to register with the commission each place of business at which the dealer sells such units. The bill also modifies the dealer registration process.

**HB 1426** — This bill removes the requirement that the Missouri Public Service Commission prepare an annual economic impact report of the implementation effects regarding municipally owned or operated telecommunications facilities.

**HB 1779** — The bill deregulates and relaxes existing regulatory requirements for various telecommunications markets. Telecommunications services using voice over Internet protocol (VoIP) technology are made essentially exempt from state regulation; however, VoIP providers are required to register with the commission and comply with certain funding requirements such as Relay Missouri.

Telecommunications carriers offering voice services using traditional technologies other than VoIP are allowed greater pricing flexibility for all business services, packages of services as well as for directory assistance and operator services.

The bill also eases the criterion for obtaining competitive status. Provisions in the bill allow waivers of quality of service standards and customer billing requirements if a company is experiencing local voice service competition. This bill also changes the laws regarding natural gas pipeline safety penalties increasing them to a maximum of \$15,000 per violation and \$200,000 for continuous violations.

## Regulatory Policy and Public Information

In Fiscal Year 2008, the Public Information and Education Department issued 183 press releases on commission-related activities. During the past fiscal year, the department also redesigned its catalog of consumer fact sheets.

In addition, the PSC website ([www.psc.mo.gov](http://www.psc.mo.gov)) was given a facelift to make it more “user friendly.” Now, the site provides easier access to commission orders and staff reports and other case-related documents.

Working in collaboration, the PSC and the Department of Natural Resources’ Energy Center launched a new website

[www.beenergyefficient.org](http://www.beenergyefficient.org) which provides no-cost, low-cost and long-term energy savings suggestions for Missourians to consider. The primary goal of the **Be Energy Efficient** program is to educate consumers about the steps they can take to hold down the cost of their winter heating bills. The two agencies have also worked together to publish educational material.

After a year’s absence, the department expanded its education and outreach efforts by again distributing information at the Missouri State Fair.

The department also provided key support during local public hearings by facilitating an open question-and-answer session prior to the actual local public hearing in gas, electric and water rate cases. These sessions allow consumers the opportunity to ask questions about a rate case pending before the commission. The department produces detailed information sheets for use at these local public hearings.

# Practice Before the Commission

The Adjudication Division includes the Data Center and the regulatory law judges. The division director is both the secretary of the PSC and the chief regulatory law judge. The secretary is statutorily responsible for the records of the PSC and is specifically called upon to oversee the issuance of all PSC orders.



*Chief Regulatory Law Judge Cully Dale (center) meets with members of the Adjudication Division.*

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

The chief judge acts as the supervisor of the other seven regulatory law judges. The RLJs receive training at the National Judicial College and at various utility seminars and conferences.

The RLJ assigned to a case prepares and issues procedural orders to provide notice and due process, so all parties have the opportunity for a full, fair and impartial hearing. The RLJ ensures the creation of a complete and competent record upon which the commission may base its decision.

Pursuant to the instructions and substantive guidance from the commission, the RLJ writes the decision and remains responsible for the case through the effective date of the final order.

## The Hearing Process

The commission holds evidentiary hearings that are similar to a court proceeding, in which witnesses are sworn, testimony is given and a court reporter records the proceedings. As an administrative case, the rules of evidence are used in determining whether testimony should be stricken or whether an objection should be sustained. In addition, counsel for parties make arguments and formal statements to the commission and file briefs after the hearing. The commission bases its decision on the record in the case.

The commission holds hearings on all manner of disputes between utilities or between utilities and ratepayers. It also hears cases on rate changes, complaints brought by the staff or the public counsel and other matters related to the provision of utility service in Missouri.

Depending on the nature of the dispute and the complexity of the issues, the hearing can be live, with witnesses called to testify; can involve pre-filed written testimony on which the witnesses are cross-examined at hearing; or the case may be submitted with all the facts agreed to, so that the commission hears only arguments about the law. The commission also holds local public hearings, giving members of the community an opportunity to express their opinions. Local

public hearings are generally held in rate cases, rule proposals, service complaint cases or other cases in which input from the public will assist the commission in making its decision.

## The Mediation Process

Some of the judges have been trained as mediators. If parties request mediation, a judge other than the one assigned to the case will meet with the parties and facilitate negotiations in the hope that the case can be resolved by mutual agreement. In the past, mediation was provided by an outside mediator, but those tended to be fruitless since the mediator knew little or nothing about utility law. Process improvement led to the additional training of judges to be in-house mediators, which has met with greater success.

## The Rate-Making Process

Before a regulated utility can change a rate or service, it must file a tariff with the new rates with the commission. For electric or natural gas utilities, the traditional process includes the tariff and testimony in support of the rate change. The commission, in setting or altering rates, must consider all relevant factors, so the case usually encompasses all of the regulated aspects of the utility's business. When issues are complex, the commission suspends the proposed tariffs for a specified period; existing rates remain in effect during that period. By law, the commission has 11 months from the

date the rate case is filed to make a decision on the proposal.

In response to the utility's rate case filing, the PSC staff will independently investigate the company's books, records and operations and file testimony in support of or against the proposed rate change. Intervenors, such as the public counsel, consumer groups, or industrial customers, become parties to the rate case and file testimony in support of or against the proposed rate change as well.

Parties meet for pre-hearing conferences to discuss settlement of any or all issues in the case, to discuss the mechanics of the case (such as deadlines or presentation order) and to settle on a list of the issues to be determined in the case.

If the parties do settle any or all issues, the commission will review the agreement to ensure that it is reasonable and in the public interest.

After the hearing and legal briefing, the commission will meet and determine which, if any, rates may change. The commission will only authorize rate changes that are fair and reasonable. The company must be allowed the opportunity to make enough money to meet reasonable expenses, pay interest on debts, and provide a reasonable return to stockholders. The commission issues its decision through a written report and order. That order is subject to appeal to a court by any of the participants in the case, except the Public Service Commission staff.

### QUICK FACT

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### Other Rate Procedures

Many telecommunications providers in Missouri are either under price-cap regulation, or are not price regulated, which allows them to adjust rates with a tariff change, but no rate case.

In such matters, the staff reviews the proposed tariff changes to ensure compliance with applicable statutes and the commission's rules. If the proposed tariffs do

comply, then the matter is processed without becoming a case.

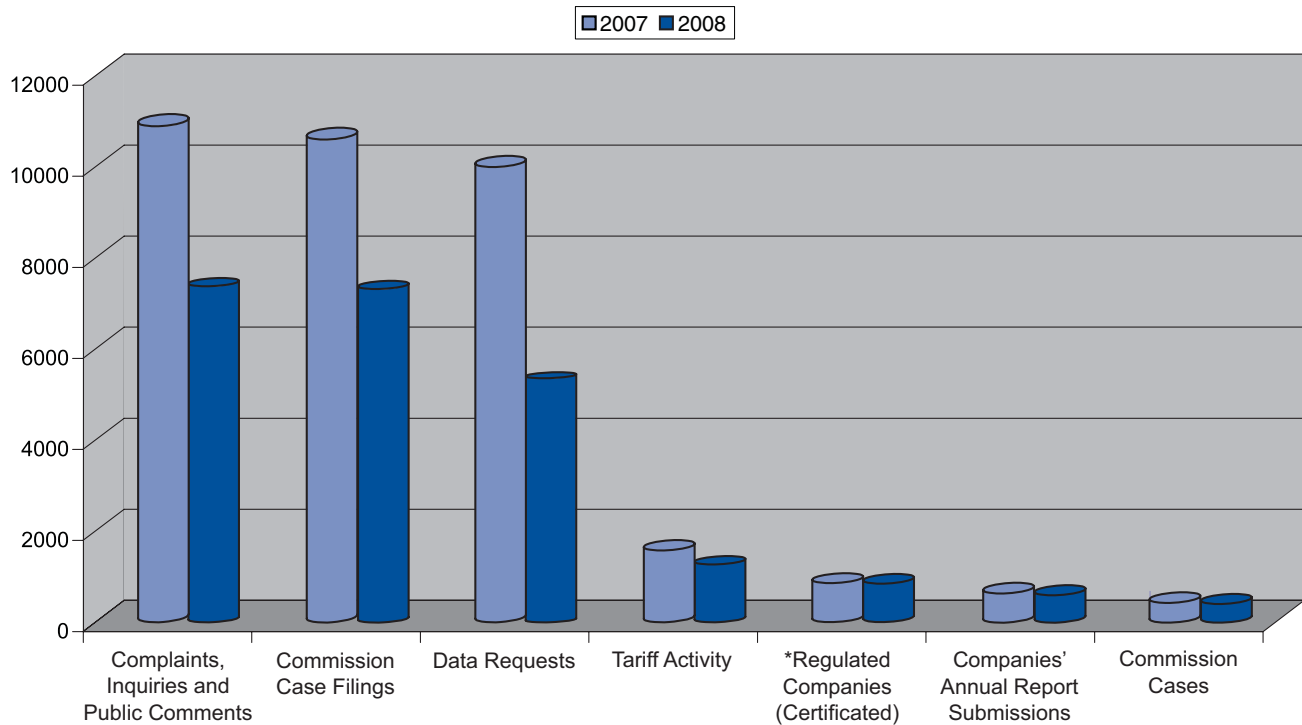
Special rules apply for water and sewer companies with fewer than 8,000 customers in Missouri, which can seek rate changes informally (larger companies must use the rate case procedure). The PSC does not regulate the rates of municipal utilities, utility cooperatives, public water supply or sewer districts, wireless telephones or cable television.

## Utility Issues

**Missouri PSC Authorized Number of Employees vs. Workload (2007-2008)**  
**Figures Quoted as of 09-25-2008**

FY2007 Staffing = 200.5 FTE

FY2008 Staffing = 200.5 FTE



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