



**MISSOURI
PUBLIC SERVICE
COMMISSION**

ANNUAL REPORT 1973-1974

Missouri Public Service Commission



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November 19, 1975

Commissioners:

A. ROBERT PIERCE, JR.

Chairman

CHARLES J. FAIN

HUGH A. SPRAGUE

STEPHEN B. JONES

JAMES P. MULVANEY

LELAND B. CURTIS

Counsel

ROBERT L. GILMORE

Secretary

TO: The Honorable Christopher S. Bond, Governor

and

The General Assembly of the State of Missouri

On behalf of the Missouri Public Service Commission,

I submit to you its annual report for the fiscal year, July 1,
1973 through June 30, 1974.

Respectfully submitted,

A. Robert Pierce, Jr.
Chairman

MISSOURI

PUBLIC SERVICE COMMISSION

Annual Report 1973-1974

James F. Mauzé, Chairman

Charles J. Fain, Vice Chairman

William R. Clark, Commissioner

Willard C. Reine, Commissioner

A. Robert Pierce, Jr. Commissioner

Michael F. Pfaff, General Counsel

Robert L. Gilmore, Secretary



The Public Service Commission is the state regulatory agency responsible for ensuring that utilities and transportation companies provide safe, adequate service at reasonable rates. The five members of the Commission, who are appointed by the governor, are assisted by a staff of about 180.

During the past six years, the Commission has responded to a rising number of rate requests from the companies it regulates. These increases in rates have been made necessary by inflation, and the consequent rise in the companies' costs of obtaining capital they need in order to provide the services required by law and Commission regulations.

The Commission's authority extends over many different types of companies. These include electric, gas, sewer, telephone and water utilities, as well as bus, truck and railroad companies. It also has jurisdiction over the manufacture, sale and licensing of mobile homes and recreational vehicles. Rural electric cooperatives are regulated by the Commission only in regard to safety. Municipally-owned utilities, and water and sewer districts are exempt from regulation by the Commission.

During the 1973-74 fiscal year, the following types and numbers of companies were under Commission jurisdiction:

Bus.	252
Electric	13
Gas.	17
Mobile Home and Recreational Vehicle Manufacturers and Dealers.	779
Mobile Telephone	20
Railroad	26
Railway Express.	1
Sewer.	67
Steam.	4
Telegraph.	1
Telephone.	54
Truck.	9,929
Water.	69
TOTAL.	11,232

Requests for rate increases from the utility and transportation companies have become much more numerous in the past few years, and have required greater amounts of the Commission's time. Concurrently with the disposition of those cases, however, the Commission and staff work on complaints, applications of various types from the companies and rule-making. Complaints have been increased, apparently because the Commission has become more widely-known, and because rates for utility and transportation services have increased.

In many cases, hearings are held in the local service area of the company to give anyone who wishes to testify an opportunity to present his views or evidence to the Commission. Hearings are also held in the Commission office in Jefferson City. At these hearings, witnesses for the company, the Commission staff, the Public Counsel and any intervenors in the case are cross-examined on their evidence. In a major case, these hearings may require two to three weeks.

The general public is represented in these proceedings by the Public Counsel of the Department of Consumer Affairs, Regulation and Licensing. Municipalities and other governmental bodies, such as counties or agencies of the federal government, may intervene and participate in the case. A group of individuals, if they submit a petition bearing 25 or more signatures and are represented by an

attorney, also may intervene. Individuals who do not wish to intervene but want to testify or present evidence may do so through the Public Counsel or the Commission Counsel.

Proceedings before the Commission are always open and may be attended by anyone. The more important hearings are usually covered by the news media. The Commission's Office of Public Information sends releases on Commission activities to newspapers, radio and television stations in the areas served by the utility. This includes notice of rate suspension, hearings, and orders issued by the Commission.

The operating budget, which was \$2,593,582 for the 1973-74 fiscal year, is appropriated by the General Assembly following review by the governor and the Department of Consumer Affairs, Regulation and Licensing, of which the Commission is a part. The Budget funds are obtained from assessments on the utilities and railroads, based on their revenues, and from the sale of licenses to bus and truck companies. After the budget is appropriated, the balance in the utility fund is carried over for consideration in the next fiscal year, and the balance in the bus and truck fund is absorbed into the general highway fund.

Utility assessments for fiscal 1974-75 are shown below. The amount assessed for the 1973-74 fiscal year was \$1,686,028.

Railroad Corporations	\$ 205,719
Street Railroad Corporations	901
Other Common Carriers (Railway Express Companies)	720
Electric, Gas, Water, Sewer, Heating and Telephone Companies	1,593,923
Telegraph	<u>1,000</u>
TOTAL	\$ 1,802,263

Receipts from the sales of bus and truck stickers, per month, during 1973-74 are listed in the following tabulation. The total for the 1972-73 fiscal year was \$1,363,445.

	<u>Truck</u>	<u>Bus</u>	<u>Total</u>
July, 1973	\$ 45,352.00	\$ 255.00	\$ 45,607.00
August, 1973	44,888.00	1,480.00	46,368.00
September, 1973	29,466.00	140.00	29,606.00
October, 1973	34,931.00	330.00	35,261.00
November, 1973	22,262.00	1,160.00	23,422.00
December, 1973	718,405.00	13,800.00	732,205.00
January, 1974	276,336.00	3,670.00	280,006.00
February, 1974	88,650.00	25,825.00	114,475.00
March, 1974	69,793.00	330.00	70,123.00
April, 1974	58,385.00	450.00	58,835.00
May, 1974	42,835.00	640.00	43,475.00
June, 1974	<u>59,326.00</u>	<u>125.00</u>	<u>59,451.00</u>
TOTAL	\$1,490,629.00	\$48,205.00	\$1,538,834.00

In addition to protecting the customer on an individual case basis, the Commission also undertakes general studies to issue new regulations, revise existing ones or devise better ways in which customers may be served.

In May 1974, for example, the Commission announced commencement of a general study of utility billing practices intended to standardize the billing procedures and rules of companies throughout the state. This includes such

items as customer deposits, periods of payment for utility bills, estimation of bills, disconnection of service and perhaps most importantly, ways in which customers could be better informed of their rights in dealing with utilities. A proposed General Order on billing practices was issued in 1975.

In order to make sure that the operations of electric utilities, rural electric cooperatives and telephone companies are as safe as possible, the Commission issued during the fiscal year a proposed uniform, statewide safety code for those companies. The Commission had previously handled safety matters on an individual company basis but this procedure had become unwieldy. The regulations would cover the safeguarding of employees and customers from hazards resulting from installation, operation, maintenance, removal and abandonment of electric and telephone facilities.

Chairman Mauzé, in a speech to the New York Society of Security Analysts in April, 1974, announced the Commission's decision to investigate the waste caused by the disparity in demand for electricity between different seasonal and daily periods. The purpose of the investigation is to determine whether changes in the design of electric rates might result in more efficient utilization of generating plants.

Utilization of these plants is inefficient because the demand for electricity is not steady, with the result that a large portion of a utility's capacity is usually idle at night and in the winter--the 'off-peak' periods. That capacity is fully used only during certain portions of the day--the 'peak' period--when demand is greatest. In the summer, for example, the peak is usually reached in the late afternoon when air conditioning use is at its maximum.

This distortion of the load pattern is wasteful because the utility must build a plant to meet the peak load even though customers only occasionally use all of the plant.

If customers could be persuaded to better plan their use of electricity so that it would be more even throughout the day and the year, two things could happen: 1) the more efficient utilization of the plant could result in lower costs per kilowatt hour, and 2) the use of what is now idle capacity would permit a plant to serve more customers, thereby reducing the pressure on utilities to expand their facilities.

The Commission is considering the use of a different rate design as the way to persuade customers to alter their patterns of electric consumption. This would be done by offering a lower rate for electricity generated during what is now the off-peak period, and a higher rate for use during the peak period. An experiment to determine whether customers would take advantage of such a pricing change is being planned by the Commission.

Another change in electric pricing was made by the Commission during the fiscal year when it approved, for a two-year period, the use of fuel adjustment clauses by electric utilities for all customers. The fuel adjustment clause permits an electric utility to adjust its rates to meet fluctuations in the price of fuel used for generation.

Conservation of natural gas is important to those who use it because supplies of the product are more limited than they were a few years ago. Because of limited supplies from some pipeline companies, a number of gas distribution utilities in Missouri have restricted the addition of new customers, with the permission of the Commission, in order to ensure that existing customer will have sufficient supplies.

The Commission has also allowed one utility--Laclede Gas Company of St. Louis-- to include some gas exploration costs in its utility expenses in order to encourage the search for more supplies.

The Commission's regulation of gas distribution companies includes monitoring the safety of their operations and taking action when necessary to make sure that Commission regulations and state laws are followed by the utilities. Its gas safety code meets federal standards, as a result of which the Commission also acts to enforce the gas safety regulations of the Federal Department of Transportation in Missouri.

A proceeding covering all telephone companies in the state was begun during the fiscal year by the Commission to establish standard rules and regulations for the companies' operations.

The operating criteria now used by the companies have been approved over the years by the Commission, but they are not uniform. The Commission undertook the revision proceeding to eliminate variations between the companies and to establish rules for some operations for which no guidelines have been set.

Before the regulations are adopted, the companies, the general public and other interested parties will be given an opportunity to comment on them and participate in any hearings the Commission holds.

In their proposed form, the regulations cover eight areas: quality of service, safety, customer relations, inspection and testing, engineering, maintenance, metering and records and reports.

The House of Representatives, which was considering legislation to extend telephone service to the few areas of the state where it is not available, asked the Commission during the fiscal year to make a study of the matter. Those parts of the state that are not included in the service areas of any telephone company comprise about 146 square miles in Oregon, Shannon and Texas counties.

Under existing law, no utility can be forced to serve an area it does not wish to, so the House asked the Commission to consider ways in which telephone service might be made available to residents of the four 'open areas'.

The Commission held hearings in that part of the state, and in the next fiscal year submitted proposed legislation to the House that would establish means for offering service in those areas. It also submitted a proposed bill covering changes in telephone company boundaries. Boundary changes are sometimes requested by customers who wished to be served from an exchange different from the one in which they live.

In those areas where a boundary change would not be feasible, customers frequently request extended area service (EAS), which permits them to call another exchange or exchanges for a higher flat rate per month rather than paying a toll on each call.

~~The Commission had for a number of years been deciding these cases individually,~~ but the number of requests for EAS had increased recently, it initiated a study during the fiscal year to establish guidelines for the establishment of EAS. A major obstacle in previous cases had been that, following hearings and a study of the area in which EAS was proposed, the majority of customers would reject the plan, usually because they objected to the amount of the higher flat rate.

Under the guidelines subsequently issued by the Commission, the determination of support for EAS is made early in the proceeding, so that if there is insufficient demand for it the case can be dismissed at that point, saving a great deal of time and effort.

The EAS study also resulted in a proposal by the Commission designed to accommodate customers in areas where there was not enough support for EAS but who still wished to be able to call nearby exchanges at a lower rate.

The proposal basically provides for a reduction in the rates for long distance calls of 23 air miles or less. Rates for calls over longer distances would be increased, to prevent losses in revenues for the companies. If the plan is adopted, it would alleviate to some extent the burden on the customer who makes frequent calls over short distances to schools, churches, medical facilities and businesses.

The Commission was, in May 1974, the first state agency in the United States certified for participation in the Federal Railroad Administration's railroad safety program. One of the objects of the program is the standardization of railroad safety regulations throughout the country, eliminating variations between the states that have hampered safety efforts in the past.

Under the federal program, the Commission may obtain matching funds of up to 50 per cent for expenses of personnel, equipment and other activities in the track safety program. Track safety is the initial project of the federal program, but other areas of railroad operations, except for work contracts not directly related to safety, will eventually be included in the effort.

The Commission's own safety programs will not be curtailed by participation in the federal activity, and the Commission may set standards of its own consistent with the federal rules, as well as issue rules different from those of the Federal Railroad Administration to cover local hazards.

The Commission's enforcement section for bus and truck regulations was reorganized during the fiscal year in order to improve the investigation of the more than 10,000 carriers in Missouri for compliance with state laws and Commission rules. Eleven new investigators were assigned to the enforcement section following training at the Missouri Law Enforcement Academy in Jefferson City. They will continue training periodically during their service with the Commission.

Their primary duty is investigation of buses and trucks operating in the state for compliance with safety regulations, adherence to their authorized routes and cargoes, and the use of correct rates. The investigators do not have the power of arrest, but work in cooperation with the State Highway Patrol in enforcement of laws and regulations of the Public Service Commission.

An increase in truck freight rates, raising them from 1 to 2 and $\frac{1}{2}$ per cent above previous rates, was approved by the Commission in August 1973. The higher rates were equivalent to interstate rates established earlier in the year by the Interstate Commerce Commission. The new rates were needed, the Commission said, because the carriers' total operating expenses had increased by about 6 per cent.

In February 1974, as a result of increasing fuel prices and the enactment by the ICC of a rate surcharge to cover higher fuel prices for interstate carriers, the Public Service Commission approved a 6 per cent surcharge for intrastate carriers.

General commodities carriers requested during the fiscal year an increase of 17.55 per cent on shipments of less than 5,000 pounds, 15.33 per cent on less-than-truckload shipments of less than 5,000 pounds, and 9.68 per cent on volume or

truckload shipments. They also asked for increases in service charges ranging from 20.1 to 767 per cent.

The Commission approved a portion of the request in April 1974, allowing an increase of 6.5 per cent on shipments of less than 5,000 pounds and an increase of 4.5 per cent on shipments of more than 5,000 pounds. That much of an increase was needed, the Commission said, because the carriers had shown that their operating costs, particularly labor costs and related expenses, had risen. Those increases matched increases granted in 1973 by the ICC.

The request for service charges was denied on the basis that the carriers had failed to demonstrate how their revenues and costs were allocated between intra-state and interstate shipments.

Rate increases of 10 to 15 per cent for dump trucks were approved by the Commission in April 1974. Those increases included the 6 per cent surcharge approved earlier by the Commission. The rates for hauling riprap and for shipments made in construction work were raised 15 per cent, and distance rates for most other types of hauling were raised 10 per cent. Fire clay rates were not changed.

Under legislation approved by the General Assembly, the Commission began in 1974 a program for enforcement of safety standards for mobile homes. The purpose is to ensure the safety of construction of mobile homes and recreational vehicles sold or manufactured in the state. The portion of the new law that requires mobile homes to be properly tied down is handled by the Division of Health.

Manufacturers must identify units with serial numbers and certify that the products meet the requirements of the American National Standards Institute. Seals attached to each unit certifying its compliance are sold by the Commission, and revenues from the sales support the enforcement program.

The Division of Mobile Homes and Recreational Vehicles, during the period January 1, 1974 through June 30, 1974, collected \$61,296 from sales of seals. It registered during that time eight in-state mobile home manufacturers, 204 out-of-state mobile home manufacturers, seven in-state manufacturers of recreational vehicles, and 195 out-of-state recreational vehicle manufacturers. A total of 365 mobile home and recreational vehicle dealers were registered. No other statistical data was developed during that period as no investigative personnel had been assigned. The first of three field inspectors was hired June 1, 1974.

During the 1973-74 fiscal year, a total of 2,539 cases of various types were filed with the Commission, compared to 2,270 in the 1972-73 fiscal year. In 367 cases, hearings were held, about the same as the year before, when hearings were conducted in 372 cases. The hearings consumed 1,132 hours and the proceedings required 38,464 pages of transcript. In the earlier year, 1,035 hours were spent in the hearings, and there were 33,358 pages of transcript. A total of 7,950 orders were issued by the Commission in 1973-74, compared to 7,027 in the previous fiscal year.

The Rates and Services Department received 491 tariff filings from utilities during the fiscal year. The department changed its tabulation for the 1973-74 year to count the number of filings made rather than the number of tariff sheets, so there is no comparative figure for the previous year.

There were 1,827 complaints filed with the Commission, compared to 1,498 the year before. Letters in response to complaints, tariff filings and requests for information totaled 9,666, about one-third more than the total of 6,624 in the previous year. Telephone calls, conferences and interviews in regard to complaints were

less numerous, totaling 13,493, as against 14,314 in the 1972-73 fiscal year. Field investigations on complaints and other matters totaled 1,795, compared to 2,159 the year before.

A total of 42 gas safety inspections of gas distribution utilities was made by the Engineering Department, and 13 investigations of gas incidents were conducted, compared to 117 safety inspections and 11 incident investigations during the previous year. The department made five company appraisals, up from four during 1972-73, and performed 17 depreciation studies, as against 23 during the year before. The number of rate cases in which the department participated totaled 24, compared to 16 in the earlier year. A total of 312 orders on electrical undergrounding authority were issued by the department, 57 more than in the year earlier. Telephone underground orders totaled 18, compared to seven in the previous fiscal year. Two authority orders on promotional practices were issued, compared to seven in the preceding year.

Grade crossing inspections performed by the railroad safety section totaled 721, considerably higher than the previous fiscal year's total of 528. The railroad safety personnel made 166 railroad yard and building inspections, about the same as the total of 161 the year before. They investigated 76 railroad accidents, compared to 34 during the previous fiscal year, and made 74 inspections of railroad equipment, compared to 21 during the earlier year. A total of 151 meetings with railroad officials, and 95 meetings with public officials were held, as against 92 meetings with railroad officials and 91 meeting with public officials in the 1972-73 fiscal year. Industrial track inspections totaled 447, compared to the total for the year earlier of 591.

Bus, railroad, railway express and truck companies filed 8,731 tariffs, and schedules with the Commission during the fiscal year, considerably more than the 1972-73 total of 6,968. The Commission revoked the operating rights of 853 truck operators for failure to comply with rules and regulations, compared to 559 during the year before. A total of 1,752 carriers were suspended during the fiscal year because their insurance coverage lapsed, the same figure as during the previous year, and 995 were subsequently reinstated when their insurance was renewed, compared to 1,046 in the year before. Transportation investigators conducted 1,263 carriers, compared to 3,557 in the previous year, and made 3,119 safety inspections, as against 6,617 the year before. There were 344 investigations of unlawful operations compared to 618 in the 1972-73 fiscal year, and six accident investigations, as against 23 in the previous year. Inspections of bus stations for compliance with cleanliness and safety rules totaled 65, compared to 286 the year before. The decline in the figures for the enforcement section is attributable to the time required for the Commission's new enforcement staff, which was organized in December 1973, to be trained and become familiar with their assignments.

The following table shows the types and amounts of capital securities approved by the Commission for issuance by utilities.

Common Stock	\$ 6,303,700
Preferred Stock	2,000,000
First Mortgage Bonds	151,000,000
Debentures	550,000,000
Notes	<u>27,384,550</u>
TOTAL	\$736,688,250