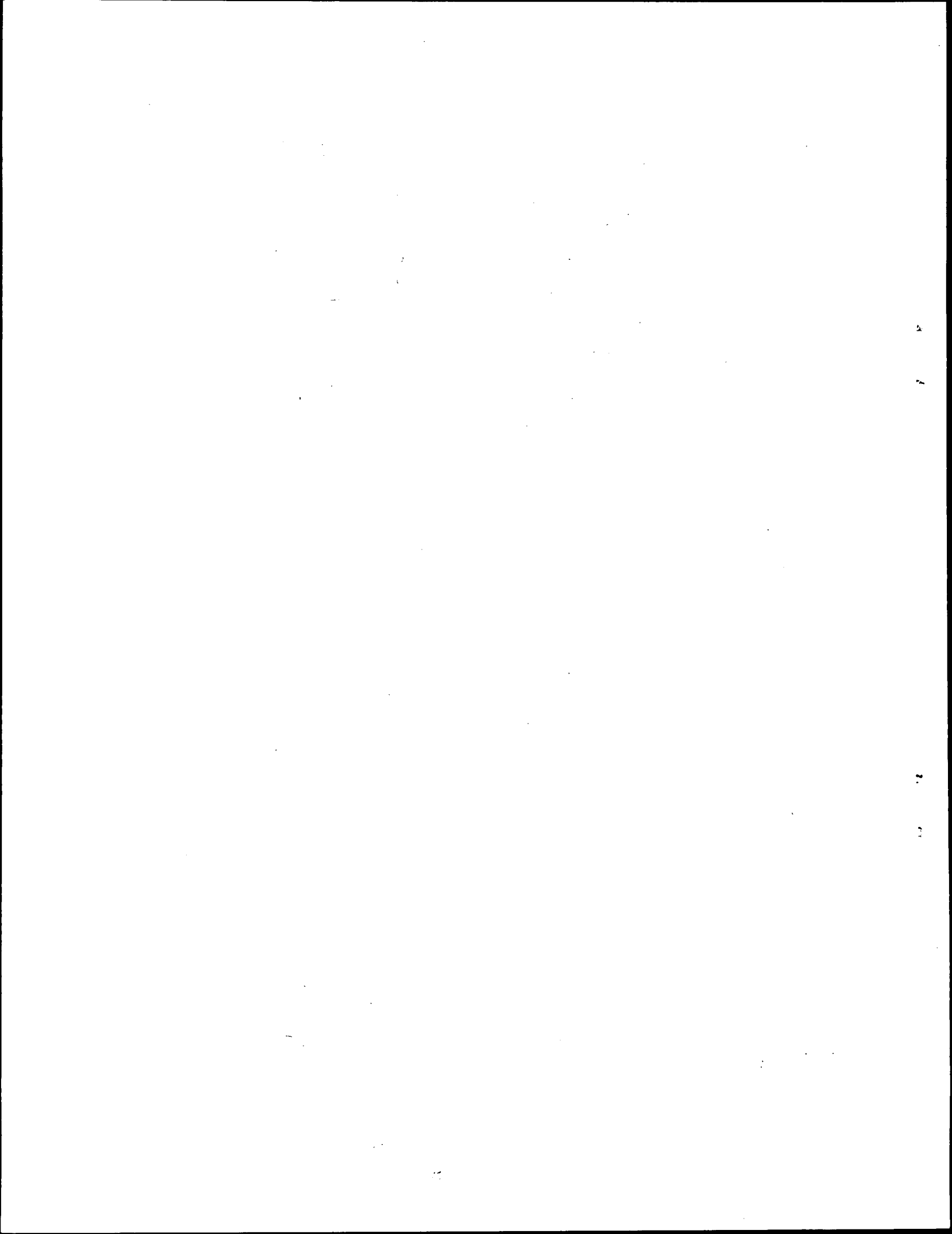


**MISSOURI
PUBLIC SERVICE
COMMISSION**

Annual Report 1974-1975





Missouri Public Service Commission

Area Code 314
751-3234

April 22, 1976

P.O. BOX 360
JEFFERSON CITY
MISSOURI 65101

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,
1974 through June 30, 1975.

Respectfully submitted,

A. Robert Pierce, Jr.,

Chairman

MISSOURI

PUBLIC SERVICE COMMISSION

Annual Report 1974-1975

A. Robert Pierce, Jr., Chairman

Charles J. Fain, Vice Chairman

Hugh A. Sprague, Commissioner

Stephen B. Jones, Commissioner

James P. Mulvaney, Commissioner

Leland B. Curtis, Counsel

Robert L. Gilmore, Secretary



CONTENTS

Introduction	1
I Responsibilities	
Purpose	1
Rates	1
Complaints	3
Service Applications	3
Rules and Regulations	4
Company Review	4
Number of Companies Regulated	4
II Organization and Budget	
Members of Commission	5
Budget	6
Organization Chart, 1974-75	7
Organization Chart, 1975-76	8
III Significant Developments	
Effect of Open Meetings Law	9
State's First Nuclear-Powered Generating Plant	9
Revision of Utility Billing Practices	10
Customer Notification of Rate Cases Expanded	10
Rates for Long Distance Calls Within State Revised	11
Extended Area Telephone Service Guidelines Adopted	11
Report to General Assembly on Telephone and Electric Matters	12
Study of Special Gas Rates for Customers on Public Assistance	14
Work on Electric and Telephone Safety Code and Telephone Service Standards Continued	14
Standards for Freight and Household Goods Carriers Studied	14
Investigation of Alleged Use of Corporate Funds For Political Purposes by Southwestern Bell	15
Supreme Court Rules Propane Distribution Exempt From Commission Regulation	15
Regulations on Use of Grade Crossing Fund Proposed	15
Liability Limits on Bus Baggage Increased	16

IV Operations

General Offices

Internal Accounting Section	16
Office of the Secretary	16
Commission Counsel	17
Office of Economic Research	17
Publications Commission	18
Examining Section	18
Reporting Section	18
Public Information Office	18

Utilities

Engineering Department

Electric Section	19
Depreciation Section	20
Gas Safety Section	21
Railroad Safety Section	21
Original Cost and Continuing Property Records Section	22

Rates and Services Department

Complaint Section	23
Services Section	23
Tariff Section	24
Rate and Special Projects Section	24

Accounting Department

Accounting and Financial Section	25
Computer Science Section	25

Transportation

Enforcement Section	26
License and Records Section	27
Rates Section	27
Operating Rights Section	28
Insurance Section	28
Audits Section	29
Division of Mobile Homes and Recreational Vehicles	29

Introduction

This report is presented in four sections. The first pertains to the Commission's responsibilities and the way it fulfills them. The second shows the Commission organization and budget. The third is an account of the major activities of the Commission and events involving it during the fiscal year. The fourth is a description of the departments and sections within the Commission, and the work they performed.

I. RESPONSIBILITIES

PURPOSE

The Public Service Commission is the state agency responsible for regulating the rates, service and safety of operation of utility and transportation companies in Missouri. It also regulates the construction standards for mobile homes and recreational vehicles. Rural electric cooperatives are regulated as to safety, unless they voluntarily agree to be fully regulated, as two cooperatives have done. Utilities or transportation companies owned by governmental bodies and water and sewer districts are exempt from Commission regulation.

The work of the Commission is generally divided into the following categories: rate cases, complaints, applications for authority to provide service, the promulgation of rules and regulations and investigation of the operations of the regulated companies.

RATES

Rate cases are a major portion of the Commission's activity, and have become more frequent in recent years as a result of the impact of inflation on the regulated companies. In almost every case, the Commission makes its decision on a company's rate request only after auditing the company and conducting hearings to obtain evidence as to the company's financial condition. The general public is represented before the Commission by the Public Counsel of the Department of Consumer Affairs, Regulation and Licensing. Evidence is also presented by the Commission staff, the company and intervenors, who may be groups of individuals, governmental units or companies whose position in the case is different from that of the public at large.

Utility companies usually file a request for a rate increase by submitting to the Commission tariffs containing proposed rates designed to produce the additional income. The tariffs must be filed at least 30 days prior to the date on which the company wishes them to become effective.

Under law, if the Commission did not act, the proposed tariffs would go into effect on the date specified by the company. In order to have sufficient time to study the company's proposal and hold hearings, the Commission has the authority to suspend the tariffs for up to 10 months.

If the company can prove that it needs the higher rates immediately to prevent a financial crisis, the Commission may allow higher rates to go into effect on an interim, or temporary, basis. This is usually done with the provision that if the Commission later finds the interim rates are unreasonably high, the company must refund any excess plus interest to its customers.

Bus and truck companies seeking increases in general rates usually file as a group. In these cases, a representative sample of the companies is selected, and the Commission decides the case on the basis of evidence presented by its staff and other parties generated from the representative sample.

There are two ways in which utility rates are usually raised or lowered without a hearing by the Commission. The first, which affects gas companies, is called the purchased gas adjustment clause. This is used when the supplier of a distribution company is permitted by the Federal Power Commission to raise or lower its rates.

The effect on the gas distribution company is an increase in costs, and unless it is permitted to raise its rates to meet the higher costs, it will suffer a decrease in its earnings. The Commission permits the distribution companies to pass on these higher costs to their customers in order to recoup the higher expenses; the pass-through reflects only the higher costs and does not result in an increase in the distribution company's earnings. These pass-ons are permitted without hearings because 1) the price of gas purchased by the distribution company is regulated by the Federal Power Commission, 2) the distribution company's earnings would be adversely affected if it absorbed the higher costs 3) if the pass-ons were not permitted, the distribution company would file a general rate request with the Commission which, on the evidence of an increase in a legitimate business expense, it would have to grant.

The purchased gas adjustment clause works in both directions; if the price of natural gas declines, the decrease is passed on to the customer.

The second way in which rates are changed is through the fuel adjustment clause, which is used by electric utilities. The rationale for this is much the same as for the purchased gas adjustment clause. Fuel (for the most part, coal) accounts for a major portion of an electric utility's operating expenses. As the price fluctuates, it can have a sizeable impact on the company's earnings. As with the PGA, the electric company is allowed to pass on to its customers increases or decreases in the price of fuel.

Again, the company's profit is not affected by the use of the clause, as it can only recoup the amount of the additional expense.

There are arguments against the use of the fuel adjustment clause, one of them being that the price of coal is not regulated and the electric company able to use the fuel adjustment clause has little incentive to bargain for the cheapest price.

There are other arguments concerning the fuel adjustment clause, both in favor and against. It is for that reason the Commission is allowing the use of the fuel adjustment clause only on a temporary basis. The companies were permitted to use it for residential customers in February 1974 (it had been used for commercial and industrial customers for a long time) for a period of two years.

The Commission will decide in 1976, based on the experience of customers and the companies, as well as evidence submitted at hearings, whether the utilities should be or should not be allowed to continue to use the FAC.

In all matters regarding rates, the Commission's goal is that the rates be reasonable for the customer, and of sufficient magnitude to afford the investor

in the utility company a reasonable return on his investment. The Commission is guided in its decisions by state law, state and federal court decisions, and the evidence presented to it. If any party to a case is dissatisfied with the Commission decision, the case may be appealed to the courts.

Hearings are held in many rate cases at locations in the company's service area as a convenience to customers who wish to testify about the company's rate request or its service. The quality of a company's service, in addition to its financial condition, is considered by the Commission in setting rates.

COMPLAINTS

A customer who is dissatisfied with the service provided by a regulated company can file a complaint at any time with the Commission. The complaint may be submitted in person, by letter or by telephone; it is not necessary for the complainant to have an attorney. The customer should provide factual information to assist the Commission in determining the nature of the difficulty, and the means of resolving it.

Most complaints filed with the Commission are taken care of by the Commission staff through discussion with the company and the complainant. If the complaint cannot be disposed of in that manner, the Commission can treat it as a formal complaint. Usually a formal complaint procedure requires the company to submit a written response to the complaint, and if this is not satisfactory, a hearing on the matter is held, after which the Commission rules on the complaint. If a customer or group of customers feels that their complaint is of such a nature that it could not be settled informally, they can initially file the complaint as a formal complaint.

Information about the filing of complaints or other business with which the Commission is concerned may be obtained from the Office of the Secretary, P.O. Box 360, Jefferson City, Mo. 65101. The telephone number of the office is (314) 751-4113.

SERVICE APPLICATIONS

Most of the new utility service applications filed with the Commission are submitted by new water and sewer companies, which are created as new subdivisions and resort areas are built. The service areas of the other types of utilities--telephone, electric and gas--have been established for a long time and are likely to remain unchanged.

Almost all utilities, from time to time, file with the Commission changes in their regulations, or submit applications to modify their service or offer new types of service.

Most of the applications filed with the Commission involve truck companies. The Commission regulates truck companies as to their rates, the routes over which they can operate and the types of cargo they may carry.

In most cases, whether the application is from a utility or a truck company, the Commission provides notice of the proposed change to officials and other interested parties, and conducts a hearing on the application at which all who may be affected by the change have an opportunity to present evidence.

RULES AND REGULATIONS

The Commission, and the companies it regulates, are governed by statutes, and the Commission has power to adopt regulations controlling the operations of the companies. These regulations, titled General Orders, are subject to revision by the Commission to meet changes in the needs of customers and the responsibilities of the regulated companies.

During the period of this report, the Commission had under consideration promulgation of general orders on billing practices of gas, electric and water utilities; standards for household goods carriers and carriers of general freight; telephone service standards; safety criteria for electric and telephone companies; guidelines for establishment of extended area telephone service, and the use of the State Grade Crossing Fund.

Regulations, either new or revised, are first issued in proposed form for study by the companies and others interested in them, who are given an opportunity to submit comments to the Commission on the proposed rules. Following review of the comments, a hearing is usually held to give the Commission staff and other parties a chance to submit evidence on the regulations. Depending on circumstances, additional revisions may be issued and more hearings held, after which the Commission makes a decision as to the adoption or dismissal of the proposed general order.

COMPANY REVIEW

All companies under the Commission's jurisdiction are required to submit annual reports. These reports contain information on the companies and other data that are used by the Commission to evaluate the companies' performance. The Commission also may order its staff to audit the companies to obtain additional information or to check the validity of the data supplied by the companies.

Financial data are submitted by major utilities for use in the computerized surveillance program, which furnishes reports to the Commission each month on the performance of the companies. This program gives the Commission information much more quickly on whether the companies are staying within guidelines set by the Commission and also serves as an indicator as to when a company may be filing for a rate increase.

The Commission employs experts in the various fields it regulates to conduct routine inspections of the companies, to investigate accidents and to check facilities in response to customer complaints. These personnel also assist the Commission in drafting or revising regulations governing the companies' operations.

NUMBER OF COMPANIES REGULATED

Bus	242
Electric.	13
Gas	17
Mobile Home and Recreational Vehicle Manufacturers and Dealers	340
Mobile Telephone.	20
Railroad.	26
Railway Express	1
Sewer	74

Steam	4
Telegraph	1
Telephone	51
Truck	9,978
Water	<u>67</u>
TOTAL	10,834

II. ORGANIZATION AND BUDGET

The Reorganization Act of 1974 placed the Public Service Commission in the Department of Consumer Affairs, Regulation and Licensing, of which the Commission is a part administratively but operates independently. Prior to July 1, 1974 the Commission was nominally in the Department of Business and Administration.

The only change made within the Commission by the Reorganization Act was the creation of the Office of Commission Counsel, whose duty is to represent the Commission staff in cases before the Commission and to serve as legal advisor and counsel to the Commission.

The responsibility for representing the general public before the Commission, formerly the duty of the General Counsel to the Commission (a post abolished by the Reorganization Act), was transferred to the Public Counsel of the Department of Consumer Affairs, Regulation and Licensing.

The Public Counsel, though separate from the Commission, can use the materials prepared by the Commission staff for his work.

The organization of the Commission at the end of the 1974-75 fiscal year is shown on page 7. Shortly after the end of the fiscal year, the Commission changed the organization of the staff to reduce the number of departments reporting to the Commission in order to make the work of the Commission flow more smoothly. The present organization of the Commission is shown on page 8.

MEMBERS OF THE COMMISSION

Governor Bond appointed A. Robert Pierce, Jr. Chairman of the Commission in April 1975 to succeed James F. Mauze, who resigned. Chairman Pierce, 36, has served on the Commission since 1973. His term expires in 1979. Before his appointment to the Commission he was city attorney of Cape Girardeau. He was a member of the Missouri House of Representatives from 1969 to 1972.

Vice Chairman Charles J. Fain, 56, has served on the Commission since October 1, 1965. He was reappointed on April 2, 1971 for a term expiring May 22, 1977. Prior to his appointment, he was in the private practice of law in Branson. He served two terms in the Missouri House of Representatives.

Three new members joined the Commission in 1975. Commissioner Hugh A. Sprague was appointed for a term ending in 1979 to fill the vacancy left by the resignation of Chairman Mauze. Commissioner Sprague, 44, previously was legal assistant and press secretary to Governor Bond.

Commissioner Stephen B. Jones was appointed for a term ending in 1981 to succeed Willard C. Reine, whose term expired. Commissioner Jones, 37, had previously been engaged in realty in Kansas City.

Commissioner James P. Mulvaney was appointed for a term ending in 1977 to succeed William R. Clark, who resigned. Commissioner Mulvaney, 41, was a member of the Missouri House of Representatives at the time of his appointment, and was a dairy route salesman in St. Louis.

BUDGET

The budget, which totaled \$3,131,995 for 1974-75, is appropriated by the General Assembly largely from two funds, the Public Service Commission Fund and the Highway Fund. The Commission fund is supported by assessments from railroads and utilities, and the Highway Fund receives revenues from the sale of licenses to bus and truck companies.

Following appropriation from the two funds, any balance in the Commission Fund is carried over to the next year, and any balance in the Highway Fund is transferred to the Highway Department.

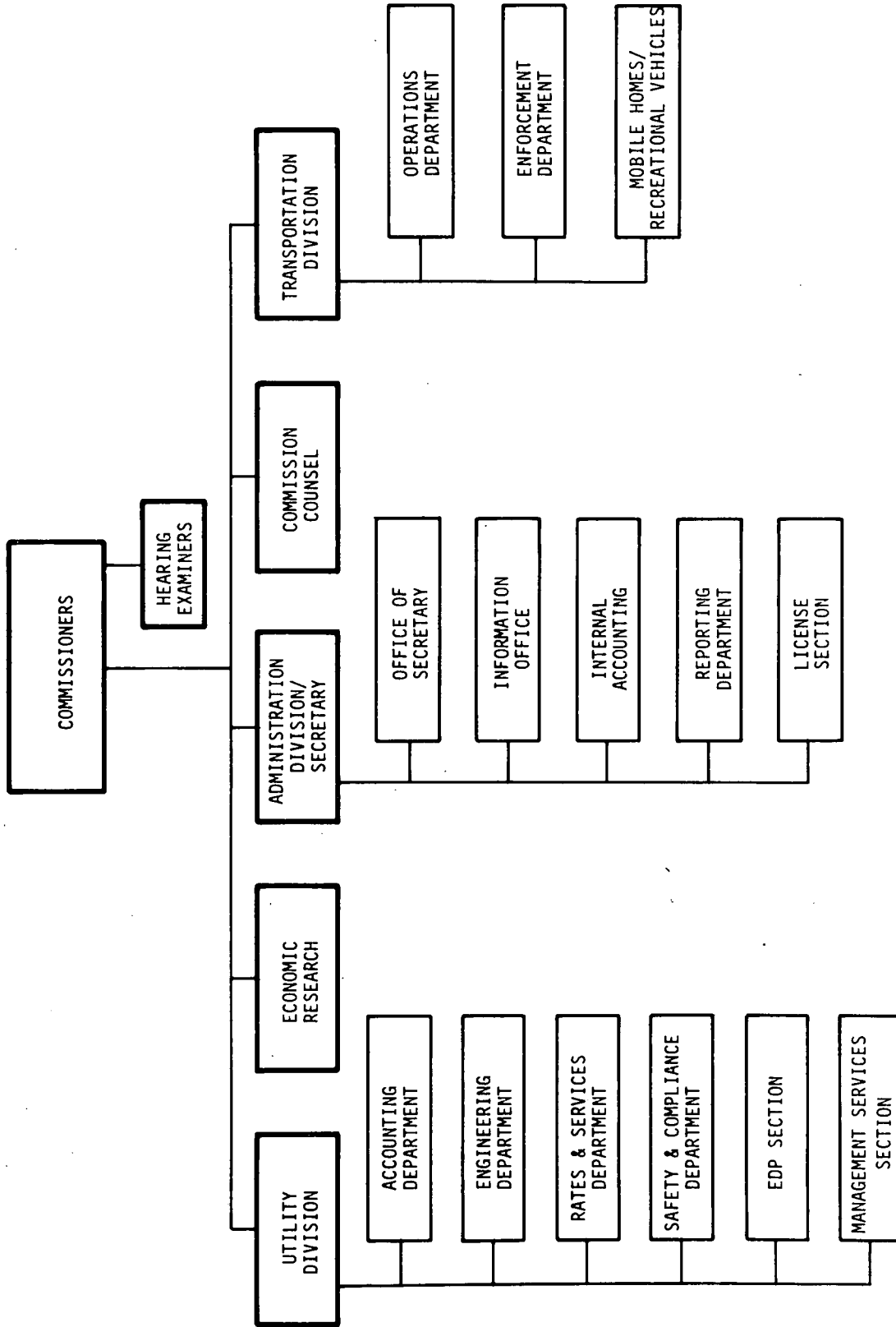
A small part of the Commission budget comes from General Revenue to support the Division of Mobile Homes and Recreational Vehicles. The amount appropriated from General Revenue is less than the total deposited into that fund from sale of licenses for mobile homes and recreational vehicles and other fees collected by the Commission.

The remaining part of the budget is the State Grade Crossing Fund, which is supported by a tax on railroad rolling stock, and is used by the Commission for installation of protective devices at grade crossings.

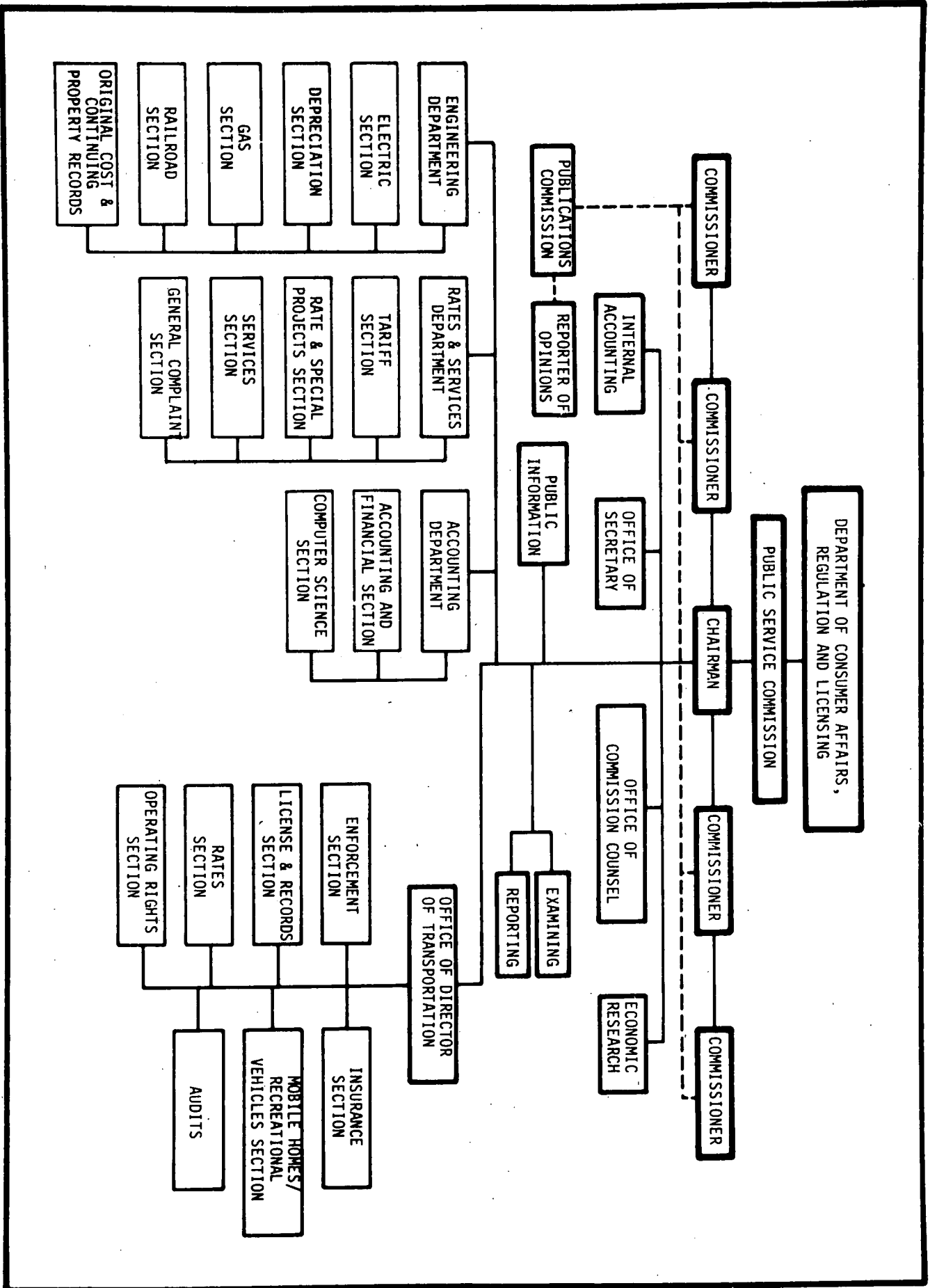
The breakdown of the receipts and budget is shown below:

<u>Receipts</u>	1973-74	1974-75
Utility assessments	\$1,686,028	\$1,802,263
Transportation license sales	1,538,834	1,508,142
Mobile Home and Recreational Vehicle seals	61,312	125,724
Authority Fees and Miscellaneous Earnings	41,234	54,898
TOTALS	\$3,327,408	\$3,491,027
 <u>Budget</u>	 1973-74	 1974-75
Commission Fund	\$1,812,186	\$1,862,403
Highway Fund	763,474	950,553
General Revenue - Mobile Homes and Recreational Vehicles	17,922	69,039
Grade Crossing Fund	250,000	250,000
TOTALS	\$2,843,582	\$3,131,995

COMMISSION ORGANIZATION AFTER AUGUST 1, 1975



COMMISSION ORGANIZATION PRIOR TO AUGUST 1, 1975



III. SIGNIFICANT DEVELOPMENTS

Significant developments during the fiscal year are summarized through page 16.

EFFECT OF OPEN MEETINGS LAW

The open meetings law of 1973 requires that all meetings of public agencies, with some exceptions, shall be open to the public. The Commission, after reviewing the law, believed it was exempt from the open meetings requirement.

A suit was brought by two newspapers that contended the Commission was not exempt, and requested the Cole County Circuit Court to order the Commission to open all of its meetings to the public.

The central point of the case was the definition of what constituted a meeting under the law. The Commission explained that in many cases the members do not meet together to vote on a subject, but read the orders and vote on them separately.

The case was settled when the Commission agreed to schedule meetings on a regular basis and issue notice of them. It adopted General Order No. 62, which states that meetings will be held at 9 a.m. Monday through Friday. An agenda is issued daily listing the matters to be taken up the following day.

These meetings are for discussion of pending cases or other official business and do not replace hearings. The Commission continues to hold public hearings on cases, and publishes each week a docket of the cases to be heard in the next week.

STATE'S FIRST NUCLEAR-POWERED GENERATING PLANT

In March 1975, the Commission approved construction of the state's first nuclear-powered electric generating plant, which is to be built in Callaway County by Union Electric Company of St. Louis.

Before construction of the plant can begin, the utility must obtain approval from the Federal Nuclear Regulatory Commission, which has jurisdiction over nuclear safety.

Although the NRC has exclusive jurisdiction over plant safety, the Public Service Commission included in its case evidence on the safety of this type of plant because it is the first of its kind in the state.

The Commission said in its order that "The great weight of evidence on the issue of plant safety overwhelmingly supports the conclusion that the proposed nuclear plant will pose no threat to the health and safety of the citizens of Missouri."

The NRC limits for radioactive effluents, the Commission noted, are 5 to 15 millirems (a measure of the biological effect of radiation on man) per year. The average individual receives about 130 millirems per year from natural sources, such as cosmic rays, soil, building materials and food. A chest X-ray produces about 50 millirems.

At the fence line of the Callaway plant, the Commission said, the maximum radiological exposure would be about 4 millirems per year from both gaseous and liquid emissions. One mile away, the exposure would be .4 millirems per year; at five miles it would be .04 millirems, and at 10 miles, in Fulton, it would be .004 millirems.

The plant, which is expected to cost about \$1.8 billion, is to be located on a 6,600-acre site. It will have two units with a combined generating capacity of 2,300,000 kilowatts. The first unit is planned to begin operation in 1981, and the second is expected to go into service in 1983.

Based on the evidence submitted, the Commission said, the nuclear-powered plant was more economical than a coal-fueled plant of similar size. If the plant were not built, Union Electric would have insufficient capacity to meet customer demands.

The utility's peak demand in the summer of 1982 is expected to be 7,787,000 kilowatts. With the first unit of the nuclear plant in operation, its total capacity would be 9,271,000 kilowatts, providing a reserve of 19.1 per cent.

The Commission held 17 days of public hearings on the plant application in Clayton and Jefferson City to take testimony from all persons, both opponents and proponents, interested in the project. The record in the case included 3,600 pages of testimony and 99 exhibits, which were studied by the Commission before it made its decision.

REVISION OF UTILITY BILLING PRACTICES

The Commission issued in February 1975 proposed regulations for revision and standardization of the billing practices of electric, gas and water utilities throughout the state. The proposed regulations were written by the Commission staff based on information obtained from a study begun the year before.

The project was started in response to customer complaints about the length of time in which they could pay utility bills, customer deposits and estimation of bills.

The proposed regulations cover these areas as well as notification of customers by utilities when rate increases are sought, disconnection of service, late payment charges, and the provision of information to customers on utilities' billing practices.

The Commission believes the new regulations, when adopted, will correct problems that are now the basis of complaints and also will, by standardizing the procedures for all utilities, ease the work of the Commission in dealing with billing matters.

The Commission plans to begin work on revision of billing practices of telephone and sewer companies after the regulations for electric, gas and water companies are adopted.

CUSTOMER NOTIFICATION OF RATE CASES EXPANDED

Missouri Public Service Company was ordered by the Commission in January

1975 to notify each of its customers of its application for increases in electric and gas rates with a statement on their bills.

The requirement, which was made in response to a motion by the Public Counsel of the Department of Consumer Affairs, Regulation and Licensing, was continued on other major cases during the year. In most cases, the notice included the approximate effect of the proposed increase on customer, as well as the time, date and location of hearings.

RATES FOR LONG DISTANCE CALLS

WITHIN STATE REVISED

The structure of rates for long distance telephone calls made within the state was changed by the Commission to save money for those customers who make brief calls.

The change was made following a study that showed a significant number of customers made calls of less than three minutes' duration. Prior to the revision of the rate structure, the minimum charge for a call was for three minutes.

It was found that 47 percent of customer-dialed calls are of two minutes' duration or less, and 28 percent lasted one minute or less. The restructuring applied to customer-dialed, station-to-station calls, and to station-to-station calls handled by an operator in areas not equipped for direct dialing.

It was unreasonable, the Commission said, for customers to have to pay for three minutes' time when a call lasted two minutes or less.

The effect of the change was a reduction of 46 to 57 percent in the cost of a one-minute call, and a decrease of 10 to 20 percent in the price of a two-minute call. Rates on some other calls also were lowered, while rates on some calls of longer duration rose 3 to 28 percent.

The change was initially proposed by the Commission in 1974 during its study of extended area service (EAS), which was being requested by customers in a number of areas.

EAS permits customers in certain exchanges to make an unlimited number of calls between those exchanges by paying a higher flat rate per month rather than paying a toll on each call.

The Commission had found that in several cases concerning EAS, the proposed rates for the service were greater than the amount the customers wished to pay.

The restructuring of long distance rates, the Commission believes, will be of benefit to those customers where EAS is not practical, as well as to other telephone users in the state

EXTENDED AREA TELEPHONE SERVICE

GUIDELINES ADOPTED

Extended area service (EAS), allows telephone customers in certain exchanges to make an unlimited number of calls between those exchanges for a higher flat rate per month rather than paying a toll on each call.

The Commission had for many years handled requests for establishment of EAS on a case-by-case basis, but in recent years the applications for EAS had become so frequent that it was clear some rules governing the procedure should be adopted.

Guidelines were adopted by the Commission in 1974 following a number of hearings and conferences with customers and telephone companies.

The rules require that EAS will be considered only if a study shows that an average of three calls per telephone (excluding extensions) are made each month to the exchange with which EAS is desired. In addition, at least 40 percent of the customers must make at least one call per month to that exchange.

The purpose of these requirements is to show whether a sufficient community of interest exists between the exchanges to warrant further action in the case. If necessary, the Commission may schedule hearings to determine the degree of interest on the part of customers.

If there then appears to be sufficient support for EAS, the company or companies involved will make an estimate of the equipment needed for the service and the rates required to support the service. Customers are informed of the rates, and vote by mail on whether or not they wish to have EAS.

If at least one-third of the customers vote, and if a simple majority of those voting state that they want the service, it will be established. The adoption requirements initially required only a simple majority of those voting, but that was later changed by the Commission.

REPORT TO GENERAL ASSEMBLY ON TELEPHONE AND ELECTRIC MATTERS

The Commission submitted to the General Assembly proposed legislation concerning telephone and electric utilities as a result of studies made at the request of the legislature.

The subjects of the studies were provision of telephone service in those areas where it was not available; the modification of telephone exchange area boundaries, and the duplication of facilities by electric utilities and rural electric cooperatives.

There are in the state only three open areas (those which do not have telephone service). They consist of 69 square miles in northeast Oregon County; 28 square miles south of Alley Spring in Shannon County, and 49 square miles west of Akers in Texas and Shannon counties. The areas have a combined population of about 100 potential customers.

Telephone companies adjacent to those areas estimated the cost of providing service at \$8,100 to \$16,000 per customer, while their systemwide average cost per customer is \$635 to \$850.

Changes in exchange boundary lines are requested by a customer whose community of interest may be more closely associated with that of an adjacent exchange than the one in which he is located.

These situations often occur as a result of a shift in population since the establishment of an exchange. Some of the cases have been solved by voluntary action on the part of the companies involved, while some others have been disposed of to the satisfaction of the customer by establishing extended area service.

Extended area service (EAS) permits customers in certain exchanges to make calls between those exchanges for a higher flat rate per month rather than paying a toll on each call.

In comments accompanying the legislation proposed to the General Assembly, the Commission explained that in both the open area matter and the case of changing boundary lines, it must comply with decisions of the State Supreme Court.

The court has held that the Commission cannot order a utility to serve customers outside of its service area, nor change boundary lines that have been set by PSC certification. The basis of the court's position is that the taking of a company's property (by forcing it to serve an area it does not profess to serve) without just compensation is unconstitutional.

The bills prepared by the Commission are founded on inference from the court's stand; that is, if a company is justly compensated for serving an open area or changing a boundary line, the Commission order to do so would be constitutional.

The open area bill basically provides that if a majority of customers in the area wish to have service, the Commission can order establishment of service if the company will receive sufficient revenue from the new service. It would also require that the provision of the service would not cause undue rate discrimination against other telephone customers.

An exchange boundary line could be altered under provisions of the second bill if the customers could demonstrate that the service from the exchange in which they live results in an undue hardship. The boundary line change, as in the open area procedure, would also be subject to revenue and discrimination criteria.

The elimination of duplication of electric distribution systems is important because such duplication places unnecessary additional costs on the public. In some areas, utilities and cooperatives have distribution lines running side by side to serve the same area.

This is possible because while the utilities have exclusive rights to serve their certificated areas, cooperatives may serve anywhere they wish to, save for initiating service to a community with a population greater than 1,500.

Duplication of lines occurs all over the state, but is most prevalent in nine counties: Christian, Clay, Cole, Greene, Lawrence, Lincoln, Platte, St. Charles and Taney.

The legislation proposed by the Commission would require the utilities and cooperatives to file maps with the Commission showing the location of their lines. The Commission would have authority under the law to hold hearings for settling any disputes between the companies over line placement and competition for customers.

STUDY OF SPECIAL GAS RATES FOR
CUSTOMERS ON PUBLIC ASSISTANCE

In a rate case involving Laclede Gas Company of St. Louis, one of the issues was whether the utility should be required to exempt persons on public assistance from the increase in rates. The company, which had asked for an increase in gross annual revenues of \$13.5 million, was allowed an increase of \$12.2 million on the basis of a settlement agreed to by the company, the Commission staff and the six intervenors in the case.

The Commission directed that a study be made of the matter of setting different rates for those on fixed incomes, and the parties in the case agreed that the increase granted Laclede would apply to all customers pending the outcome of the Commission study.

WORK ON ELECTRIC AND TELEPHONE SAFETY CODE
AND TELEPHONE SERVICE STANDARDS CONTINUED

The Commission continued during the fiscal year work on proposed safety regulations for electric utilities, rural electric cooperatives and telephone companies, as well as on proposed standards for telephone service. The projects were undertaken in the previous year.

The purpose of the regulations for electric and telephone companies is to produce a uniform, statewide safety code for those firms. The Commission had previously considered regulations on a case-by-case basis.

The proposed regulations on telephone service are also intended to be a uniform, statewide code that will eliminate variations in the rules and regulations of the 59 companies in the state and establish standards for some operations not covered by firm guidelines.

The telephone standards would apply to eight areas: company records and reports; metering, inspection and testing; customer relations; engineering; maintenance; quality of service and safety

STANDARDS FOR FREIGHT AND HOUSEHOLD
GOODS CARRIERS STUDIED

The Transportation Department began in early 1974 development of regulations pertaining to truck companies, and these projects continued through the 1974-75 fiscal year.

Two sets of regulations are involved. The first would apply to household goods movers, and the second would cover carriers of other types of freight.

The household goods carrier regulations include criteria on estimation of charges, shipping documents, weight determination, rate discounts and agent relationships. Other points included are carrier liability, claims handling, insurance, advertising and expedited service shipments.

The set of standards for general freight carriers would cover such matters as frequency of runs, time limits on pickup and delivery, the time in which

claims would be resolved and notification of a carrier's inability to provide service.

Both sets of standards would establish a basis for determining the quality of service provided by the carriers, and also serve as guidelines for the disposition of informal complaints.

INVESTIGATION OF ALLEGED USE OF CORPORATE FUNDS
FOR POLITICAL PURPOSES BY SOUTHWESTERN BELL

A former executive of Southwestern Bell Telephone Company alleged in 1974 that the company had required certain employees to make contributions to a fund that was used for political purposes.

Parties in a Southwestern Bell rate case that was heard by the Commission in early 1975 contended the allegations should have a bearing on the Commission's decision in the case. The Commission rejected that argument, stating that if irregularities were found, appropriate action could be taken by the Commission later.

At the time it issued its order in the rate case, the Commission initiated a separate investigation of the political contribution matter. Hearings were held at which all parties in the rate case were allowed to participate, and all witnesses who had any information connected with the subject of the investigation were given an opportunity to testify.

The case had not been completed at the end of the fiscal year.

SUPREME COURT RULES PROPANE DISTRIBUTION
EXEMPT FROM COMMISSION REGULATION

The Public Service Commission initiated in 1974 several cases against propane gas distributors after receiving a number of complaints from customers who said they were not permitted to buy propane from other sources.

The cases involved mobile home parks in which propane was delivered to the homes by a central distribution system, and the owners of the parks had been directed by the Commission to show cause why they should not be regulated as utilities.

The Commission dismissed the actions following a State Supreme Court ruling in November 1974 in a case similar to the ones before the Commission. The court held that those companies are outside the jurisdiction of the Commission. The safety aspects of propane distribution are regulated by the State Department of Agriculture, but the price is unregulated.

REGULATIONS ON USE OF GRADE
CROSSING FUND PROPOSED

The State Grade Crossing Fund was established by the General Assembly in 1973 to provide money for upgrading protection at railroad grade crossings when no other state, local or federal funds are available. A tax on railroad rolling stock supports the Grade Crossing Fund.

The Commission issued in 1975 proposed regulations governing the use of the grade crossing fund, based on its experience with the program. The regulations are designed to codify procedures developed during cases involving crossings for which commitment of grade crossing funds was considered.

During the first two years of the fund's existence, money from it was used to defray some of the costs of installation of protective devices at 16 crossings for a total of \$239,000. Up to 90 percent of the cost of additional protection may be paid for with money from the fund, with the remainder paid by the railroad or railroads involved.

LIABILITY LIMITS ON BUS BAGGAGE INCREASED

The maximum liability of bus companies for passenger baggage carried on trips within Missouri was approved by the Commission in June 1975.

The new liability limits are \$250 on adults' baggage and \$125 on childrens' baggage, while the previous limits were \$50 and \$25, respectively. Liability on parcels was raised to the same limits.

The tariff setting the new limits requires that all baggage must carry a tag clearly showing the name and address to which the items should be forwarded if misplaced.

IV. OPERATIONS

The activities of the various sections of the Commission, under the organization shown on page 7, are discussed below.

GENERAL OFFICES

The Internal Accounting Section manages the financial operations of the Commission, including formulation of the budget. It also processes expense accounts and bills for goods and services and disburses funds for their payment.

Authority fees paid by companies when they issue securities are handled by this section, as are miscellaneous receipts. This section assesses the utility and railroad companies annually, on the basis of their revenues in Missouri. This money is placed in the Public Service Commission Fund, from which the legislature appropriates part of the Commission's budget. The greater part of the remainder of the Commission budget is appropriated from the Highway Fund, and a small portion is appropriated from General Revenue for operation of the Mobile Home and Recreational Vehicle section.

The Internal Accounting section's work also includes the semi-annual auditing of the Commission License Section and the Mobile Home Section.

The Office of the Secretary performs those functions that support the Commission's operations. This includes such things as processing applications filed by the companies, routing complaints to the appropriate department, maintaining the general files and printing.

The Secretary to the Commission is the chief administrative officer, who is responsible for such matters as personnel, the budget, procurement, organization and establishing policies.

All orders and regulations issued by the Commission are certified by the Secretary, whose office prints and distributes them. Copies of these as well as transcripts are available for study in the Commission office and may be purchased.

A permanent record is kept of all cases filed. The most recent are available in original form while the older ones are kept on microfilm. The case record includes applications and motions, orders, correspondence and, if the case is heard, copies of the transcript and exhibits.

The Secretary assigns cases among the members of the Commission, sets hearings and maintains the docket, or hearing schedule. Most hearings are conducted in the Commission hearing room on the tenth floor of the Jefferson Building in Jefferson City. In some cases, particularly rate cases, the Commission holds at least one hearing in the service area of the company to make it convenient for the general public to testify.

The number of cases filed and orders issued during this fiscal year and the previous reporting period are:

	1973-74	1974-75
Cases filed	2,539	2,227
Orders issued	7,950	7,500

The Commission Counsel and four assistants represent the Commission staff in proceedings before the Commission. He also acts as counsel for the Commission in court, and is legal advisor to the Commission. Representation of the public at large in cases before the Commission is now the duty of the Public Counsel of the Department of Consumer Affairs, Regulation and Licensing as a result of re-organization.

The Commission Counsel assists in preparation of staff testimony for hearings, participates in all phases of the hearings, and in some cases prepares legal briefs and final arguments. Similar work is done in the event of an appeal to the circuit or appellate courts, or the State Supreme Court.

During this fiscal year and the previous year, the Commission Counsel's office participated in the following:

	1973-74	1974-75
Commission hearings	367	329
Court cases	61	88
New appeals	20	20
New penalty cases	6	5

The office of Economic Research conducts financial analyses of the regulated companies, and makes monthly reports on the performance of the major utilities. These measure the operations of the companies and can indicate whether a utility is staying within the limits set by the Commission.

This section compiles and publishes each year financial data on the major electric, gas, telephone and water companies in the United States. These are used by the Commission and staff in their work, and are available to the general public at a charge to cover printing costs.

During the 1974-75 fiscal year, the economic research staff conducted the fourth annual Regulatory Information Systems Conference, a nationwide meeting on current techniques in regulation. The conference was held in St. Louis and was attended by representatives of regulatory agencies, utilities and others from throughout the country.

The staff of the office of Economic Research testifies in rate cases before the Commission on such matters as the rate of return it believes the company is entitled to. The staff also appears before the Commission on other cases in which financial expertise is desired.

The Publications Commission, which was created by law, is composed of the members of the Commission and the Commission Counsel. Its purpose is the publication, in the Public Service Commission Reports, of significant cases conducted by the Commission for the use of attorneys and others who do research on regulatory decisions.

The Reporter of Opinions is a hearing examiner who devotes a portion of his work to overseeing the compilation of the material for the Reports, edits them and oversees the project to its completion.

The Examining Section is made up of lawyers who can conduct hearings in conjunction with or in lieu of commissioners. These hearing examiners also assist the Commission in drafting orders, and in doing legal research.

There are five examiners, each assigned to one of the Commissioners, plus a chief hearing examiner who directs the operations of the office.

An examiner sitting at a hearing has the same authority as a Commissioner to rule on points of law, the admissibility of evidence and to administer the oath to witnesses. The examiners and Commissioners may interrogate witnesses to obtain information for a complete record in a case. It is important that all necessary evidence be taken, because the decision, as is a court's, is based solely on the material submitted.

The Reporting Section maintains a verbatim record of hearings before the Commission. The transcript of the hearing is part of the case file, and copies of it may be obtained by any party in the case at a fixed charge per page. The transcript of a case is usually completed about 30 days after the hearing.

During the fiscal year, and in the preceding year, the Reporting Section produced the following work:

	1973-74	1974-75
Cases heard	367	329
Hearing room hours	1,132	1,123
Transcript pages filed	38,464	35,788

The Public Information Office keeps customers of the regulated companies apprised of activities of the companies such as rate increase requests, as well as of Commission decisions that affect them.

On all major cases, news releases are issued as the progress of the case dictates to keep the customers abreast of the disposition of the case. Copies of the news releases are sent to all newspapers, radio and television stations in

the area affected, as well as surrounding areas, to get as much coverage as possible.

This section also handles inquiries from reporters or the general public who are interested in the work of the Commission. It also assists the Commission and other sections with the publication of reports, publishes the annual report, and performs other work, such as speechwriting, as needed.

UTILITIES

The staff work on utility regulation is handled by three units--the Engineering Department, the Rates and Services Department and the Accounting Department.

Depending on the size and complexity of a particular case, all three departments may be involved, or just one section. In rate cases, the Utilities staff, along with the Commission Counsel and the Office of Economic Research, conducts investigations and testifies in hearings.

These departments also process complaints, undertake surveys or inspections as needed, and prepare reports. Most complaints are disposed of at the staff level through the resolution of differences between the customer and the company.

Those complaints that are not resolved in this way are presented to the Commission, which conducts hearings at which the customer and company present evidence before a decision on the problem is made.

The ENGINEERING DEPARTMENT has five sections--Electric, Depreciation, Gas Safety, Railroad Safety and Original Cost and Continuing Property Records.

The Electric Section oversees the operations of electric companies, including keeping track of companies' generating capacity, demands on their systems, and exchanges of power with other utilities both in Missouri and in other states.

The members of this section participate in meetings with the Federal Power Commission on electrical matters and also are involved in regional power pools, which are affiliations of electric generating systems--both privately-owned and those under government control--for the exchange power.

These interchanges are made routinely, as when one utility can sell excess power to another which may be servicing a unit or, due to a number of factors, can buy the power more cheaply than it can generate it. The power pools also provide a reservoir of electricity that may be drawn upon if there is a danger of a blackout in a portion of the network.

The Commission ordered electric companies several years ago to place distribution lines in new subdivisions underground. This was done for reasons of safety, and economy, and had the added benefit of improving the appearance of these areas.

In those instances in which underground placement of lines would be too costly--usually where the subterranean area is rocky and excavation is difficult--companies may apply for permission to place wires overhead. The electric section examines these requests for variances and makes recommendations to the Commission on their appropriateness.

The staff of the Electric Section also examines applications for construction of power plants and transmission lines, and is responsible for seeing that the companies comply with safety codes. During the fiscal year, the section worked on a proposed revision of the code covering utilities, rural electric cooperatives and telephone companies. The code will apply to cooperatives because the Commission has jurisdiction over their safety of operation.

This section's work includes conducting field investigations of complaints concerning power outages, improper metering, or inability to obtain proper service.

The Electric Section conducted 120 field investigations of complaints, compared to 50 in the preceding year. It issued 188 orders concerning variances from electric undergrounding regulations, compared to 312 the year before, and 12 orders concerning waivers from regulations on burial of telephone lines, compared to 18 in the preceding year.

The Depreciation Section is concerned with the manner in which the regulated companies depreciate their equipment. This is an important factor in the determination of rates for a company because depreciation is an expense that the companies are entitled to recover as an operating cost. Depreciation also has a bearing on the computation of a company's taxes, which also must be considered in rates to be charged customers.

Therefore, the Commission maintains continuing examination of the way companies adjust for depreciation, and when necessary, makes revisions in the adjustments.

Sometimes the companies, when filing for a general rate increase, also propose a change in the depreciation computation. When this is applied for, the depreciation section checks the company's figures to determine whether they are reasonable. If the staff finds that the rates of depreciation may be unreasonable, a depreciation study of the company is performed.

Depending on the size of the company, and the condition of its depreciation records, such a study requires from two to five months. The results of the study are then made part of the staff's presentation in the rate case. As with other issues in the case, the Commission decides which depreciation rate is proper on the basis of the evidence presented.

A total of 30 depreciation rate studies were performed during the year, while the total for the previous year was 17.

One of the other factors the Commission must consider in making its decision is the fair value rate base of the company. The rate base is the amount of money representing the facilities required to serve the company's customers. The original cost rate base is figured by using the cost of the facilities new and subtracting their depreciation as they age.

The fair value rate base is used to provide information on the worth of the plant at current prices. This figure is arrived at by 'trending', which uses formulas to estimate what the plant would cost at today's prices, less depreciation.

If the company presents fair value evidence in a rate case, it is necessary

for the depreciation section staff to make a determination of fair value rate base. Such a study requires from one to two months.

The depreciation section is presently engaged in a program to help small water, sewer and telephone companies establish proper depreciation schedules. The initial part of this program is expected to take about two years to complete, depending on the rate case load. The section will then continually review the depreciation rate of those companies, and prescribe rates for new companies as they are certificated by the Commission.

The Gas Safety Section enforces the Commission's rules and regulations governing the distribution of natural gas by the regulated companies. The pipelines that carry gas from the producing areas into Missouri are exempt from Commission regulation, as are municipally-owned distribution systems.

Routine inspections of the 20 gas distribution companies are scheduled by the section so that each of the 50 districts is inspected at least twice a year. Any discrepancies are brought to the attention of the company for correction, and if serious violations of the gas safety code are found, they are presented to the Commission for appropriate action.

If accidents involving gas distribution facilities occur, companies must notify the Commission as soon as possible. Investigations are made by the gas safety section of all but minor accidents. The investigators must determine whether the equipment involved is under the jurisdiction of the Commission, and whether the violation of gas safety regulations caused or contributed to the accident. The investigators also make necessary recommendations for promoting the safety of operations.

A report of the accident is given to the Commission for its review to determine if action should be taken against the company. Eight accidents were investigated during the fiscal year, compared to 11 in the previous year.

In addition to this work, the personnel of the gas safety section investigate complaints of suspected gas leaks or other malfunctions reported to the Commission.

The Railroad Safety Section determines whether railroads are in compliance with safety standards for their tracks and other equipment, as well as working on grade crossing protection.

Their work involves the regular inspection of track, rolling stock, buildings, and making recommendations for repair or replacement of defective or worn-out facilities.

As in other areas of safety regulated by the Commission, the railroads are required to notify the Commission of accidents, which are investigated by the Railroad Safety Section.

The Commission was the first in the United States approved for participation in the Federal Railroad Safety Administration's program for improving the regulation of railroad safety. The Commission is responsible for enforcing the FRA track safety standards in the state, and in return receives federal funds.

Because of excessively stringent standards of the FRA for personnel in the

program, the Commission has been able to hire only one of three track inspectors needed to perform track inspections. The Commission will continue its efforts to qualify two additional track inspectors.

This section also is responsible for grade crossing safety, and may initiate investigations when it believes greater protection at a crossing is necessary, or conduct investigations in response to a complaint from the public.

Following the investigation of a crossing, a hearing is held by the Commission at which the staff's investigation is presented, and the railroad, along with any other parties in the case, may offer evidence. If the Commission decides that more protection is needed, it determines who will pay for the installation.

The cost is usually apportioned between the railroad and the city or county in whose jurisdiction the crossing lies. If the local government has no funds for the purpose, and there are no federal or other state funds available, the Commission may use money from the State Grade Crossing Fund to pay that portion of the costs.

The State Grade Crossing Fund may be used to pay up to 90 percent of the cost of the installation. The fund is supported by a tax on railroad rolling stock.

The Railroad Safety Section publishes annually for the use of the General Assembly and others interested in this field a separate report on grade crossing accidents.

The following table shows activity totals for the section during this year and the previous year.

	1973-74	1974-75
Grade crossing inspections	721	707
Yard and building inspections	166	163
Accident investigations	76	34
Equipment inspections	74	27
Industrial track inspections	447	306

The Original Cost and Continuing Property Records Section performs work associated with the physical assets of the regulated utility companies. The results of its studies are indispensable to the Commission in establishing the rate base, or the investment on which the company is entitled to earn a reasonable return.

Most of the work of this section is done in the field, and entails examination of company records, checking of inventories, and identification of the myriad items that comprise a company's plant. When performed on a sizable company, such a study takes years, and even on small companies takes several months.

After the original cost study is completed, the section's report is submitted to the Commission, and a hearing is held to give the company an opportunity to present evidence if it contests the staff's findings. The Commission then issues an order establishing the original cost, based on the evidence, and it is from this figure, modified by additions and depreciation, that the rate base is computed in future cases.

This section also checks the property records of the various companies to ensure that they are properly maintained in accordance with the Commission's requirements. These records are used by the staff in keeping track of the original cost as changes are made to utility assets.

The section completed five appraisals during the year, the same number as in the year before.

The RATES and SERVICES DEPARTMENT processes most complaints, looks over the rates that the companies charge or wish to charge and keeps track of the numerous changes in rates that occur.

The Complaint Section personnel review a complaint and determine whether the matter complained of is within the Commission's jurisdiction. If it is not the customer is informed and if possible also told of the appropriate state agency or other office that may be able to help him.

If the complaint is one within the scope of the Commission's authority, the Complaint Section may attempt to resolve it or send it to another section for assistance. Whichever section handles it, an effort is usually made to satisfy the customer through informal discussion with him and the company. An investigation may be made; for example, to test a meter if the customer believes it is faulty.

A complaint that cannot be satisfactorily resolved at the staff level is brought to the attention of the Commission, which can treat it as a formal complaint and hold hearings so that the company and the customer can give their evidence on the matter.

The customer does not have to have an attorney at the hearing, but will be assisted by the Commission Counsel. Representation by a private lawyer is not needed at any stage of the complaint process. Complaints may be made in person, by correspondence or by telephone. Customers should, however, talk with the company before complaining to the Commission, because in many instances complaints can be resolved by the company without participation of the staff.

A customer should also, when making a complaint, provide detailed information from which the staff can work. For example, if the customer believes his bill for electricity is too high, it is helpful if he submits copies of recent bills as well as the bills for the same period of the previous year.

If the complaint concerns poor telephone service, such as frequent inability to get a clear line, the staff is aided by information on the time and date that the outage occurs, and the duration of the failure.

A total of 2,957 complaints were processed during the 1974-75 fiscal year, compared to 1,827 during the 1973-74 period.

The Services Section performs investigations of utilities in regard to complaints concerning telephone, sewer and water service. Complaints about the other types of utility service are investigated by other sections.

This section also makes inspections of new sewer and water companies, which are growing in number each year as new subdivisions and resort areas are developed. There is close cooperation between this section and other state offices responsible

for public health and sanitation.

If a telephone company must make repairs or additions to its system to bring service up to accepted standards, this section reviews the work reports and checks the installation. A survey is then made of the customers following the completion of the installation to determine whether they are satisfied with the service improvement.

A total of 330 field investigations were made during the year--140 telephone, 130 sewer and 60 water. Because of a change made in the keeping of records, comparable figures for the previous year are not available.

The Tariff Section examines the rates, rules and regulations filed with the Commission by the utility companies. Rate changes must be filed with the Commission on at least 30 days' notice, and this section makes recommendations to the Commission as to whether the proposed rates should be suspended for investigation and hearing, or allowed to go into effect as filed.

If, after a hearing, the Commission finds that the utility should be permitted to file new rates, the Tariff Section checks the rates for compliance with the Commission's decision. If they are found to be unreasonable, the tariffs may be rejected and the company instructed to modify them.

The gas distribution companies under the Commission's jurisdiction are permitted to adjust their rates, on 30 days' notice, as the price they pay for gas purchased from the pipeline companies fluctuates. Because the pipeline rates are set by the Federal Power Commission, the Public Service Commission permits the distribution companies to recover the additional expenses or to pass through a saving by adjusting their customers' bills.

This purchased gas adjustment (PGA) is checked by the Tariff Section when filed, and if there are questions about it, it may be suspended for investigation.

The Tariff Section processed 648 tariff filings, while in the previous year it processed 491.

The Rate and Special Projects Section is primarily responsible for the manner in which utility rates are structured. The question of rate design, particularly in regard to electric utilities, is of increasing importance to the customer and the company now.

When a utility is granted a rate increase by the Commission, or if the Commission finds that the company's rate structure is unfair, the utility must file new rates for recovery of the revenues to which it is entitled.

It is important that a customer be charged in such a way that he pays for his consumption and is not unduly discriminated against in favor of another customer or group of customers.

This section checks the rates proposed by a company, and also performs studies of rates in use in order to make sure the rate design is proper.

The fuel adjustment clause used by electric utilities, which the Commission permitted on an experimental basis for a two-year period ending in 1976, is regularly examined by this section.

The purpose of the fuel adjustment clause is to allow the electric utilities to recover increases in fuel costs, or conversely to give their customers the benefit of declines in these costs, without filing a rate case.

This adjustment must be filed at least 30 days prior to the time in which it would go into effect in order to allow a sufficient period in which the section can study the proposed change. If it is found to be unacceptable, the section can reject it.

The Commission will decide whether to allow continued use of the fuel adjustment clause after hearings in 1976 at which the companies, the staff and all interested parties will be given an opportunity to present evidence on the matter.

In addition to this routine work, the personnel of the section perform special duties in the area of rates and rate design at the direction of the Commission. They worked on 102 special projects during the fiscal year, while in the year before they worked on 70 projects.

The ACCOUNTING DEPARTMENT reviews records of the regulated utilities' financial operations, and plays a major role in the gathering of evidence for the staff's presentation in rate cases. The regulated companies are required to keep their books according to the Uniform System of Accounts, a procedure prescribed by most state and federal regulatory agencies.

The Accounting and Financial Section devotes most of its efforts to the auditing of the companies' financial records. On a major rate case, the audit takes several months, most of which is spent by the personnel assigned to the audit at the offices of the company.

Some utility holding companies keep the books of their Missouri operations at an office located out of the state. In these cases, when an audit is needed, the company must pay the expenses of the accountants who conduct the audit.

When the audit is completed, the information obtained is used by the various staff personnel involved in the rate case to prepare the staff's direct evidence, and for cross-examination of company witnesses.

It is from this presentation, and the evidence offered by the company and any other parties in the case, that the Commission ascertains the company's revenues and expenses.

The Accounting Section performs spot audits, and reviews the financial reports that are filed with the Commission each year by the companies.

It also does any auditing needed when utilities apply to the Commission for permission to issue securities.

In the 1974-75 fiscal year, the Accounting Section performed 35 audits and examinations, requiring 29,600 man-hours. In the previous year, 33 audits involving 28,732 man-hours were performed.

The Computer Science Section grew out of the need for expertise in electronic data processing as the larger utilities expanded the use of computers, and as it became clear that the use of computers by the staff would greatly facilitate their work.

Although it is assigned to the Accounting Department, the Computer Science Section also assists other offices within the Commission, such as Transportation and Economic Research.

The use of computers enables the staff to keep much closer surveillance over the financial operations of the regulated companies, and to perform the many computations needed for preparation of rate cases. The computer also provides immediate information on the status of the thousands of bus and truck companies the Commission regulates.

A spinoff of this work with the computer are compilations of operating data on the major electric, gas, telephone and water utilities in the United States. These are used by the staff and are also made available to the general public at a nominal charge to cover printing.

The Commission does not have its own computer, but uses the facilities of other agencies, including the Highway Patrol, which enables the patrol to have easy access to the Commission transportation files for law enforcement purposes.

The work of the Computer Section during the year, and for the previous year is shown below:

	1973-74	1974-75
Computer applications maintained	15	27
Computer programs maintained	40	83
Computer hours used	200	360
Analysis of systems	4	8
Programs written	43	17

TRANSPORTATION

The DIVISION OF TRANSPORTATION oversees the activities of bus, truck and railroad companies, except railroad safety, which is the responsibility of the Railroad Section of the Engineering Department. It also is responsible for regulation of the manufacture and sale of mobile homes and recreational vehicles.

The division has seven sections that perform the staff work involved in regulating these companies. They report to a director who is responsible to the Commission.

The Enforcement Section conducts spot checks of bus and truck companies and when necessary undertakes investigations to determine whether they are in compliance with Commission regulations and state law.

The investigators are stationed around the state, and work in conjunction with the State Highway Patrol and other law enforcement agencies. Violations discovered by an investigator may be prosecuted by local authorities, or may be presented to the Commission for hearing. If the Commission finds the carrier has violated the law, the Commission Counsel may sue for penalties in Circuit Court.

Among the types of violations the investigators find are failure to comply with safety regulations; operating beyond the scope of authority established by the Commission; operating without authority, and charging rates different from those prescribed by the Commission.

The investigators performed the following duties during the two fiscal years:

	1973-74	1974-75
Carriers contacted	1,263	614
Vehicles inspected	3,119	7,118
Investigations conducted	344	531
Accidents investigated	6	7
Arrests by law enforcement authorities as a result of investigator's work	n/a	457

The License and Records Section sells to bus and truck companies Commission licenses that must be carried on each vehicle operating in the state. A \$25 sticker is valid for one year. A \$5 sticker, valid for three days, may be purchased by interstate carriers who operate in the state infrequently. Carriers operating from states which have license reciprocity with Missouri are exempt from the requirement.

The three-day license may be obtained at some truck stops that have facsimile transmitters linked to the license office in Jefferson City. The annual licenses may be purchased through the mail or at the Jefferson City office. Replacements for licenses that are damaged may be obtained at a charge of \$1.00.

Sales for this year and the preceding year are:

	1973-74	1974-75
Bus		
Annual license	1,842	1,951
Three-day license	431	348
Truck		
Annual license	53,322	51,950
Three-day license	30,015	31,742
Replacements	28	42

The Rates Section processes tariffs and schedules of the companies, and makes recommendations to the Commission concerning the appropriateness of requested changes in rates or service.

Carriers are required by law to file proposed changes in rates on at least 30 days' notice, and proposed changes in schedules or elimination of schedules no less than 15 days before they wish them to become effective. Only with the express approval of the Commission can the notice requirement be waived.

If the Commission believes the proposed rate or schedule change is of sufficient importance, it will suspend it and hold hearings to give all parties an opportunity to present evidence, and then decide whether to approve the change.

The volume of this section's work is shown below:

	1973-74*	1974-75
Railroad tariffs received and filed	4,382	4,170
Truck tariffs received and filed	3,775	4,211
Bus tariffs received and filed	226	124
Bus time schedules received and filed	101	62
Railway express tariffs received and filed	23	23

*Figures in this column do not agree with those in 1973-74 annual report because, through inadvertance, 1974-75 data was used in that report.

The Operating Rights Section is concerned with the type and scope of authority held by each carrier. The Commission regulates both the kind of cargo a company can carry and also the geographic area over which the goods can be hauled. For example, one carrier's authority may be limited to transportation of scrap iron between Kansas City and Springfield, while another carrier may have authority to carry any general cargo to any point in the state.

The authority is set by the Commission, in most instances following a hearing, on the basis of the number of companies, if any, providing the same type of service and the need for the service.

This section advises the Commission on questions concerning carrier authority, testifies in proceedings before the Commission and maintains files on the authority held by the carriers.

Carriers operating between states are regulated by the Interstate Commerce Commission as to their operating authority, but must obtain a permit from the Public Service Commission to travel through Missouri. An interstate carrier who wishes to make hauls wholly within Missouri must obtain intrastate certification from the Commission. Private carriers that are not operating for hire are exempt from Commission regulation.

The activities of the section during this fiscal year and the preceding year were:

	1973-74	1974-75
Additional intrastate authority granted	117	62
Additional intrastate authority requested	252	110
Grants of temporary authority	113	98
Transfers of intrastate authority	216	225
Intrastate authority revoked	68	39
Interstate permits issued	1,630	1,345
Interstate permits revoked	785	523

The Insurance Section reviews proof of insurance submitted by carriers and maintains files on all carriers. Carriers operating within Missouri are required to have liability insurance and cargo insurance. The cargo insurance may be waived by the Commission in those circumstances where it would be superfluous; for example, in the case of dump trucks.

Interstate carriers--those hauling between states and regulated by the Interstate Commerce Commission--must file proof of liability insurance with the Commission if they plan to operate through Missouri.

If a carrier's insurance lapses, the insurance company notifies the carrier and the Insurance Section, which suspends his authority to operate until the insurance is renewed. If the insurance is not renewed after a reasonable period of time passes (usually six months), the carrier is required to show cause why its authority should not be revoked.

The number of filings is shown below:

	1973-74	1974-75
New certificates received and filed	9,597	9,681
Cancellation notices received	4,406	5,284

	1973-74	1974-75
Carriers suspended due to cancellation	1,752	2,112
Carriers reinstated upon renewal	995	1,153

The Audits Section reviews the financial condition of the bus and truck companies, and performs audits as needed for rate cases or other investigations. All of the carriers must file annual reports of their operations with the Commission.

In most common carrier rate cases, the companies file as a group for new rates. Selected companies in this group are used as a sample to determine the overall operating ratio on which the Commission bases its decision.

The operating ratio represents the relationship between revenues and expenses for the companies. The Auditing Section checks the sample submitted by the firms applying the new rates, and may, if it disagrees with the companies' presentation, use a different sample.

The analysis by the Auditing Section is presented along with other evidence in the staff's presentation in the hearing before the Commission.

This section performs financial and statistical analyses of carriers for use by the Commission and staff in monitoring the performance of companies. It also reviews carriers' finances when transfers of authority are made, and undertakes special investigations when necessary. During this fiscal year, and the previous fiscal year, the section performed the following assignments:

	1973-74	1974-75
Rate case analysis	6	9
Field audits	14	17
Transfer reviews	216	241

The Division of Mobile Homes and Recreational Vehicles was organized in 1973 after passage of a new law by the legislature requiring regulation of the construction and sale of these vehicles.

The section certifies manufacturers and dealers, and issues seals which must be carried by the vehicles before they may be sold in Missouri. The regulation of mobile homes and recreational vehicles applies to all units manufactured after January 1, 1974.

Vehicles sold in the state must carry a sticker certifying compliance with Commission regulations. The stickers are sold by this section for \$8 each.

The first set of regulations covering the vehicles was issued by the section in 1973. A comprehensive revision, which includes many new regulations is now pending. Dealers and manufacturers are inspected regularly by the personnel of the section to ascertain whether the regulations and laws are being complied with.

The section also handles complaints regarding mobile homes and recreational vehicles as to construction, performance and, in the case of mobile homes, emplacement. The safe anchoring or tying-down of mobile homes, which was required by the same law establishing the Mobile Home Section, is under the jurisdiction of the State Department of Health.

The section performed the following activities during the fiscal year. As this was the first full year of the section's operation, there are no comparable figures for the preceding fiscal year.

Complaints investigated	340
Units inspected	2,170
Inspections of manufacturers	36
Vehicle stickers sold	10,556