

**MISSOURI
PUBLIC SERVICE
COMMISSION
ANNUAL REPORT
1978-1979**

Missouri Public Service Commission
JEFFERSON CITY

ALBERTA C. SLAVIN
CHAIRMAN

January 14, 1980

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TO: The Honorable Joseph P. Teasdale, 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, 1978 through June 30, 1979.

Respectfully submitted,



Alberta C. Slavin

Chairman

MISSOURI
PUBLIC SERVICE COMMISSION
ANNUAL REPORT
JULY 1, 1978 – JUNE 30, 1979

Charles J. Fraas, Jr., Chairman
Leah Brock McCartney, Commissioner
Alberta C. Slavin, Commissioner
Larry W. Dority, Commissioner

Paul W. Phillips, Counsel
Lawson Phaby, Acting Secretary

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SECTION 1. RESPONSIBILITIES

Purpose

The Public Service Commission regulates the rates charged by the various utility and transportation companies within its jurisdiction to ensure that those rates are just and reasonable. The quality of service provided by those companies and the degree of safety employed in their operations are also regulated.

Although the rates charged by the rural electric cooperatives are not regulated, the Commission does oversee certain safety aspects of their operations.

The Commission also oversees the manufacture of mobile and modular homes in addition to recreational vehicles to ensure that federal standards are met.

Utility and transportation services operated by municipalities are exempt from Commission regulation.

The work of the Commission covers five general areas:

1. Rates
2. Complaints
3. Promulgation of Rules and Regulations
4. Company Review
5. Applications for Authority

Each of these areas are discussed briefly through page 3.

Rates

Any rates charged by utility and transportation companies that are under the jurisdiction of the Public Service Commission must be approved by the Commission before they become effective. The tariff sheets containing the rates and the rules and regulations of each regulated company are on file at the Public Service Commission office in Jefferson City and in the office of each company. The records are open for public inspection.

When considering the rates proposed by a utility company, the Commission, by law, must use two standards. Not only must the rates be reasonable for the consumer, but the rates must allow the company to earn a reasonable return on its investment. In balancing the welfare of the consumer versus that of the company, the Commission is guided by evidence presented by parties involved in the case.

Any decision made by the Commission is subject to appeal through the courts.

Utilities which seek a change in rates, or rules and regulations, must notify the Commission at least 30 days before the change would take effect. If the change calls for an increase in rates, the Commission may, and usually does suspend the proposed effective date. The

Commission has authority under law to suspend a proposed change an additional 10 months. This means that quite often there is an 11 month delay between the time a utility proposes a change and the time any change may become effective.

During this suspension period, the Commission staff and other parties involved in the proceeding have time to study the proposed change.

If it is deemed necessary, the Commission will schedule hearings on the proposed change during the suspension period.

If a company proves through evidence that the higher rates are needed immediately to avoid financial hardship, the proposed rates may be allowed to become effective immediately on an interim basis pending the investigation. If an interim increase later proves to be excessive, the company usually is required to refund the excess to consumers.

The Commission conducts rate case hearings in the Jefferson State Office Building in Jefferson City and the hearings are open to the public. In many cases, particularly rate cases, the Commission holds hearings in the service area of the company involved which provides customers of that company a chance to present views about the proposal. Local hearings provide information to the Commission about the quality of service of the company.

The rates truck and bus companies charge differ from those of other utilities in that all transportation companies may charge the same rates for similar services. The revenue need of transportation companies is determined on the basis of income and expenses rather than the return to stockholders.

Transportation companies usually file as a group when requesting rate changes. The Commission staff will choose a representative sample of the group and use the evidence garnered from those companies as the basis of the testimony in the case. The Commission then makes the final decision on the propriety of the changes.

The other aspects of transportation cases are similar to those in utility rate cases.

Complaints

The Commission's Customer Services Department handles complaints against regulated utilities.

The specific manner in which a complaint is handled is determined by the nature of the complaint. A detailed explanation of the Commission compliant handling procedure is on page 21 in the Operations Section of the annual report.

Rules and Regulations

The Commission has adopted rules and regulations which outline the responsibilities of regulated utilities concerning such areas as rates, service and safety. The regulations, which were formerly titled General Orders, are now found in the Code of State Regulations adopted by the General Assembly in 1975. The Commission regulations are in Title 4, Chapter 240.

When the Commission amends its own regulations or considers a new one the proposal is sent to regulated companies and to other parties who are given an opportunity to submit comments. After reviewing comments, the Commission may hold one or more hearings to allow

parties to submit formal evidence concerning the proposed rule or regulation. Evidence gathered at these hearings is considered by the Commission when making a decision on whether to adopt, modify or dismiss the proposal.

Commission rules and regulations are not to be confused with the rules and regulations used by regulated companies. Company rules and regulations must be approved by the Commission before they may be applied to the customers. If a regulated company wants to adopt a new rule or regulation, or impose a new one, the proposal must be filed with the Commission. The procedure followed by the Commission is the same as if the company had asked for a change in rates.

Company Review

All regulated utilities must comply with rules and regulations they file with the Commission once they are approved. Utilities must also comply with the rules and regulations adopted by the Commission.

The Commission checks compliance with these rules and regulations by checking annual reports filed by the firms, through complaint investigations, and through routine and special safety investigations and audits.

Major utilities submit monthly financial data which is checked against revenue guidelines set by the Commission to determine whether the companies have stayed within those guidelines.

Staff members in the various departments conduct routine inspections of utility facilities and equipment, and investigate accidents to ensure no Commission rules or regulations were broken. If violations are found, the Commission, through the Office of the General Counsel, may seek penalties in circuit court against the violating firm.

Service Applications

The Commission has jurisdiction over the area a company serves, the type of service it provides and, in the case of transportation companies, the routes they use.

The service areas of major utilities are fixed and cannot be changed without the utility's consent. From time to time, the utilities file applications for permission to construct additional facilities, to issue stocks or bonds and to change regulations. Water and sewer utilities occasionally file applications for authority to initiate service in developing areas in the state.

The majority of applications are received from bus and truck companies who wish to have additional authority or to amend their existing authority. Whether the request is from a utility or transportation company, a notice of the application is sent to officials in areas effected by the request, other utility companies providing similar services, and other interested parties. In most cases a hearing is held to allow those parties an adequate opportunity to present evidence which the Commission uses in making its final determination.

SECTION II. ORGANIZATION AND BUDGET

Status

The Public Service Commission is an independent division within the Department of Consumer Affairs, Regulation and Licensing (CARL). The Office of the Public Counsel, which represents the public in the Commission's proceedings, is a separate division of CARL.

Commission

The five members of the Commission are appointed by the Governor with the advice and consent of the Senate. Terms are for six years and are staggered so no more than two terms expire in one year.

Traditionally, no more than three of the Commissioners are members of the Governor's political party.

The law requires all Commissioners to devote full time to their duties and to reside in Jefferson City.

Members Of The Commission

Charles J. Fraas, Jr., 42, was appointed to the Commission in 1977 to fill the remainder of the term of James Mulvaney, who resigned to accept a position with the federal Department of Labor. Fraas' term expires on May 7, 1983.

Fraas served as Chairman until after the fiscal year ended.

He was Associate County Counselor of Jackson County when appointed to the Commission and served as Chief Warrant Officer for the Jackson County Prosecuting Attorney's Office. Fraas has also been engaged in the private practice of law.

Fraas has a Juris Doctor degree from the University of Missouri, Kansas City, and a Bachelor of Science degree in History from Rockhurst College, Kansas City.

Leah Brock McCartney was appointed to the Commission in 1977. She replaced Commissioner Charles J. Fain, whose term expired. Her term expires May 22, 1983.

She was named Vice Chairman in March 1979.

McCartney has a Juris Doctor degree from George Washington University Law School, Washington, D. C., and a Bachelor of Science degree in Education from Lincoln University, Jefferson City.

She was a municipal judge in Kinloch, a St. Louis suburb, at the time of her appointment to the Commission. She earlier was a tax attorney with the federal Internal Revenue Service, and an attorney-advisor in the U. S. Treasury Department. She taught law at Tulsa University, Tulsa, Okla., and earlier at Florida A. & M. University, Tallahassee, Fla. Prior to that she taught and served as a field secretary for the National Association for the Advancement of Colored People.

She serves on the 24 member National Mobile Home Advisory Council of the Department of Housing & Urban Development.

Alberta C. Slavin briefly served on the Commission from July through August, 1977, and was reappointed in November, 1977. She replaced Commissioner A. Robert Pierce, Jr., who resigned. Her term expired April 15, 1979, but she continues to serve until a successor is duly appointed and qualified.

Slavin was named Chairman of the Commission after the fiscal year ended.

Slavin is a graduate of the University of Michigan with a bachelor's and master's degree in music. She is a member of the Consumer Affairs/Special Impact Advisory Committee of the Department of Energy and a member of the Communications Committee of the National Association of Regulatory Utility Commissioners. She was a member of the State Crisis Intervention Advisory Committee and the Governor's Energy Conservation Committee.

Before appointment to the Commission, she was president of the Utility Consumers Council of Missouri, a consumer organization which deals with utility matters.

Larry W. Dority, 27, was appointed to the Commission in 1979. He succeeds Hugh A. Sprague whose term expired April 15, 1979. Dority's term expires April 15, 1985.

He is a member of the National Association of Regulatory Utility Commissioners' Committee on Motor and Air Carriers.

When appointed to the Commission, Dority was with the law firm of Bussell, Hough, Bernhardt, Leighton and O'Neal in Springfield.

Dority has a Bachelor of Arts degree in Economics and Business Administration from Drury College, Springfield, and a Juris Doctor degree from the University of Missouri, Columbia School of Law.

Commissioner *Stephen B. Jones*, 41, was appointed to the Commission in 1975 for a term ending April 15, 1981. Jones resigned effective March 15, 1979, to take a position in Michigan.

Hearing Examiners

Hearing examiners, lawyers, are assigned to the Commission to assist in conducting hearings, preparing orders and legal research. Due to the Commission's large workload, it is not possible for each Commissioner to hear every case. An examiner presides at hearings with the same authority as a Commissioner including ruling on points of law, the admissibility of evidence and administering the oath.

The object of a hearing is to obtain all relevant evidence which has a bearing on a case from all parties involved in the proceeding. When the case record is complete, the Commissioners and examiners review the evidence and prepare a draft order.

The order is then discussed by the full Commission at its daily agenda meeting and is then voted on or set aside for revision. As with the orders of other administrative agencies, the Commission's decision may be appealed to the courts.

The Commissioners and examiners completed hearings on 161 cases during the fiscal year and wrote 215 final reports and orders. In the 1977-78 fiscal year, 251 cases were heard and 193 final reports and orders written.

Publications Commission

The Publications Commission is a statutory body, consisting of the members of the Commission and the General Counsel, that is responsible for publishing the Public Service Commission Reports.

The reports contain significant cases selected for publication. Only those cases which can aid those interested in the work of the Commission, or which contain new or especially significant concepts are published.

A hearing examiner, designated the reporter of opinions, assists the Commission in selecting cases and editing the material.

The reports are sold on both a single-purchase and subscription basis at a price determined by the cost of the printing.

Staff

The Commission's authorized staff was 226 for the fiscal year, most of whom are professionals in the fields of accounting, engineering, law, economics, management, rates and enforcement. The staff organization chart appears on page 14 A.

Budget

The Legislature appropriated the majority of the Public Service Commission's 1978-79 budget of \$5,453,434 from basically two funds, the Public Service Commission Fund and the State Highway Fund.

The Public Service Commission Fund, which is supported by assessments paid by the railroads and utilities, generated \$3,273,701 during the past fiscal year. Of that amount, a total of \$3,261,592 was appropriated for the Commission's use. The remaining portion is carried over in the fund to the next year.

The State Highway Fund, which is supported by the license fees paid by the various truck and bus companies, generated \$2,024,927 during the past fiscal year. The Legislature appropriated \$1,537,124 for the Commission's use.

A small portion of the Commission's budget comes from General Revenue and is used to support the Mobile Home, Recreational Vehicle and Modular Homes Department in the Utility Customer Services Division. The Public Service Commission is the agency designated by the U. S. Department of Housing and Urban Development (HUD) to handle all consumer complaints concerning federal mobile home standards. The Commission also enforces mobile home warranties, inspects dealer sales lots, and enforces the state modular and recreational vehicle regulations. Further, Commission personnel inspect plants where mobile homes are manufactured to ensure compliance with federal standards. The Commission receives \$9 for each mobile home shipped into Missouri plus \$15.38 per man-hour spent in the program and the receipts are transmitted to General Revenue. Collections exceed the amount appropriated from General Revenue to administer the program.

The remaining portion of the budget is contributed by the State Grade Crossing Fund. This fund is supported by a tax on rentals by freight line companies and is used by the Commission for the installation of protective devices at grade crossings.

Public Service Commission

Operating Expenditures Fiscal Year 1978 - 1979

	<i>Fiscal Year 1978</i>	<i>Fiscal Year 1979</i>
<u><i>Public Service Commission Fund</i></u>		
Personal Service	\$1,906,366	\$2,095,499
Expense and Equipment	<u>564,428</u>	<u>599,980</u>
Total PSC Fund	<u>\$2,470,794</u>	<u>\$2,695,479</u>
<u><i>State Highway Fund</i></u>		
Personal Service	\$ 959,096	\$1,105,109
Expense and Equipment	<u>205,157</u>	<u>292,657</u>
Total Highway Fund	<u>\$1,164,253</u>	<u>\$1,397,766</u>
<u><i>General Revenue</i></u>		
Personal Service	\$ 87,522	\$ 112,281
Expense and Equipment	<u>26,401</u>	<u>29,034</u>
Total General Revenue	<u>\$ 113,923</u>	<u>\$ 141,315</u>
Total Operating Expenditures	<u>\$3,748,970</u>	<u>\$4,234,560</u>
<i>License Refund</i>	\$ 15,000	\$ 14,970
<i>Grade Crossing Fund</i>	<u>182,468</u>	<u>277,562</u>
Total Expenditures	<u>\$3,946,438</u>	<u>\$4,527,092</u>
<i>Authorized Number of Employees</i>	<u>217.16</u>	<u>226.66</u>

**Public Service Commission
Fiscal Year 1978-79 Receipts**

	<i>Fiscal Year 1978</i>	<i>Fiscal Year 1979</i>
<i>Public Service Commission Fund</i>		
Utility Assessment	\$2,751,825	\$3,206,028
Out-of-State Audit Expense Reimbursement	13,338	17,200
<i>Federal Dept. of Transportation Reimbursement</i>		
Railroad Track Safety Program	12,170	47,469
Natural Gas Pipeline Safety Program	40,683	-0-
<i>Miscellaneous Reimbursements</i>		
Sale of Surplus Property	336	183
	<u>-0-</u>	<u>2,821</u>
Total Public Service Commission Fund	<u>\$2,818,352</u>	<u>\$3,273,701</u>
<i>State Highway Fund</i>		
Sale of Bus and Truck Licenses	\$1,809,073	\$2,022,786
Sale of Surplus Property	<u>-0-</u>	<u>2,141</u>
Total State Highway Fund	<u>\$1,809,073</u>	<u>\$2,024,927</u>
<i>Mobile Homes Division Receipts:</i>		
Sale of Recreational Vehicle Seals	\$ 64,972	\$ 42,880
Sale of Modular Home Seals	720	1,240
Payment For Mobile Home Manufacturer		
Construction Monitoring	39,196	43,979
Payment For Mobile Home Units Shipped to Missouri	28,782	48,289
Dealer Registration Fees	1,195	1,905
Manufacturer Registration Fees	4,020	4,490
Plan Approvals	21,950	25,225
Postage Assessment	<u>740</u>	<u>596</u>
Total Mobile Homes Division	<u>\$ 161,575</u>	<u>\$ 168,604</u>
<i>Miscellaneous Receipts</i>		
Authority Fees	\$ 55,506	\$ 54,208
Miscellaneous Earnings - Copies of PSC Documents	<u>25,055</u>	<u>24,641</u>
Total Miscellaneous Receipts	<u>\$ 80,561</u>	<u>\$ 78,849</u>
Total General Revenue	<u>\$ 242,136</u>	<u>\$ 247,453</u>
<i>Grade Crossing Fund</i>		
Tax on Car Rentals by Freight Line Companies	<u>296,059</u>	<u>289,862</u>
Total Receipts	<u><u>\$5,165,620</u></u>	<u><u>\$5,835,943</u></u>

SECTION III. SIGNIFICANT DEVELOPMENTS

Union Electric Nuclear Plant Construction

In October, 1978, the Commission retained Theodore Barry and Associates to evaluate the alternatives available to the Commission for handling construction by Union Electric of two nuclear power generating plants in Callaway County.

The consultants recommended that the Commission adopt an active role in monitoring construction of Unit I. According to the report an active role could save between \$30 million and \$60 million in construction costs which would mean a direct savings to ratepayers of between \$2 million and \$5 million.

The staff of the Commission took a similar position and, as the fiscal year ended, the Commission had made plans to establish a Generating Facilities Department within the Utility Division.

In April, the Commission received petitions with 15,000 signatures which asked the Commission to perform a new cost benefit analysis on both nuclear facilities and the Commission asked its staff for recommendations.

After the fiscal year ended the Commission staff reported that on Callaway Unit I a number of issues exist which may not be resolved by the Nuclear Regulatory Commission before Union Electric receives an operating license for Unit I. The report concluded that a meaningful cost benefit study on Unit I could not be performed until those issues had been resolved.

Among the unresolved issues are a substantial number which result from new concerns at the Nuclear Regulatory Commission about possible design modifications in the wake of the accident at Three Mile Island Unit 2.

After the fiscal year ended the Commission ordered its general counsel to file a motion with the Nuclear Regulatory Commission seeking a suspension of the construction permit for Callaway Unit 2. This move was based on a staff study which concluded that Union Electric's load forecasts have not been adequately reduced to reflect downward trends in peak demand.

The fact that Union Electric may have over-estimated peak demand growth was pointed out in a Commission order issued in January, 1978. That order directed the Commission staff to conduct a study of Union Electric peak demand forecasts.

PURPA

The Public Utility Regulatory Policies Act (PURPA) of 1978 is a federal law enacted by Congress as part of the National Energy Act. The purpose of Title I and Title III of PURPA are to encourage conservation of energy supplied by gas and electric utilities, optimal efficiency in use of facilities and resources by gas and electric utilities, and equitable rates to gas and electric consumers.

There are nine electric utilities in Missouri covered under Title 1 of PURPA. They are: Arkansas-Missouri Power Company, Empire District Electric Company, Kansas City Power and Light Company, Missouri Edison Company, Missouri Power and Light Company, Missouri Public Service Company, Missouri Utilities Company, St. Joseph Light and Power Company, and Union Electric Company.

To comply with the requirements of Title I of PURPA, the Missouri Public Service Commission has or will schedule hearings for the purpose of considering grandfathering or adoption of certain federal standards for each covered electric utility. The eleven federal standards which must be considered are: Cost of Service, Declining Block Rates, Time-of-Day Rates, Seasonal Rates, Interruptible Rates, Load Management Techniques, Master Metering, Information to Consumers, Procedures for Termination of Electric Service, Advertising, and Automatic Adjustment Clauses. Consideration of the Automatic Adjustment Clause standard is mooted in Missouri as a result of a Missouri Supreme Court decision which held such clauses to be invalid. In addition to the above mentioned standards the Commission must consider whether lifeline rates should be implemented by utilities which do not have such rates in effect by November 9, 1980.

There are four natural gas utilities in Missouri which are covered under Title III of PURPA. They are: Gas Service Company, Laclede Gas Company, Peoples Natural Gas Division of Northern Natural Gas Company, and Missouri Public Service Company.

To comply with the requirement of Title III of PURPA, the Missouri Public Service Commission will schedule hearings for the purpose of considering grandfathering or adoption of certain federal standards. The standards are: Procedures for Termination of Gas Service, and Advertising.

Legislation

Among the bills passed during 1979 by the Missouri General Assembly were four which have a major impact on the Commission or utilities.

Line Duplication –HCS for HB 186 granted jurisdiction to the Commission to minimize retail electric line duplication when a “proposed retail electric line cannot be constructed in compliance with Commission safety rules.” The new law also states that the Commission cannot make rules, regulations and decrees which allocate the territory of electric suppliers.

Gas Safety–House Bill 186 gave the Commission jurisdiction over safety aspects of municipal gas systems. Previously that function was performed by the U. S. Office of Pipeline Safety. Missouri has 33 municipal gas systems, including Springfield and Fulton.

Utilicare–SCS for HCS for House Bills 545, 21, and 485 was passed as the Utilicare Program. Utilicare provides up to \$150 a year for heating aid to people over 65 years of age with incomes under \$7,500 a year. The program, administered through the State Department of Social Services, makes payments from state revenue directly to the primary heating supplier of up to \$50 a month for the months of December, January, and February. Applicants were to provide proof of age and income to their county office of the Division of Family Services. Income provisions under the Utilicare Program are identical to the state circuit breaker law which is familiar to many Missouri older citizens.

The Utilicare Bill was passed during the last hour of the last day of the session on June 15, 1979 but the Legislature failed to fund the program. After the fiscal year ended, the Governor called a special session which appropriated money for Utilicare.

Utility Sales Tax–The General Assembly passed a bill to remove the state sales tax from residential electric, gas, and water bills. After January 1, 1980, the only sales tax on these types of utility service will be one levied by municipal or county authority. The average household savings was estimated to be about \$30 for the first year.

Jeffrey Energy Center No. 1

The Commission accounting staff, during a rate case audit of Missouri Public Service Company (Case ER 79-60), discovered that the utility had claimed the generating facility identified as Jeffrey Energy Center No. 1 had become fully operational in mid-June, 1978.

Mo-Pub made that claim in an earlier rate case, ER 78-29, supported by material from Kansas Power and Light Company, the company which operates Jeffrey Energy Center No. 1. In case ER-78-29, Mo-Pub was permitted to start earning a rate of return from ratepayers on the generating facility in July, 1978.

During the audit on case ER 79-60 Commission accountants discovered that Kansas Power and Light Company and other partners in Jeffrey Energy Center No. 1 claimed the facility was fully operational July 30, 1978, later than the date claimed by Mo-Pub.

Commission accountants in case ER 79-60 asserted that the earliest date that Mo-Pub could place Jeffrey No. 1 in the rate base was December 14, 1978. The accountants said Mo-Pub should be ordered to refund through a rate reduction \$2.1 million the company had collected on Jeffrey from customers from July 5, 1978 through December 14, 1978.

After the fiscal year ended, the Commission final order in case ER 79-60 directed its general counsel to pursue legal remedies to refund the \$2.1 million which the Commission concluded had been illegally collected by Missouri Public Service Company.

Telephone Company Earnings

United Telephone and a subsidiary, Capital City Telephone Company, agreed to refund \$900,000 to customers shortly after the fiscal year started. The telephone companies conceded their earnings were in excess of those authorized by the Commission. The excess earnings showed up in a continuing surveillance program by the Commission staff over earnings of regulated utilities.

In May the Commission directed its staff to conduct a further investigation of earnings by the two companies because monthly financial reports filed by the companies showed they were still earning profits in excess of those allowed by the Commission. The case was still pending when the fiscal year ended.

In February, another telephone company, Continental, was ordered to reduce rates \$290,679 because of excessive earnings.

Automatic Telephone Dialers

Effective January 13, 1979, it became illegal in Missouri to attach equipment to telephones when the called party cannot terminate the call at will and have the dial tone promptly restored. The rule was adopted by the Commission after a hearing process in which no objections were filed.

Fuel Shortage

The Commission took two actions because of the fuel shortage in the winter of 1978-79. In October, the Commission liberalized a policy designed to make it easier for truckers to receive approval for shipment of liquified petroleum gas, also known as propane. According to figures supplied by the Missouri LP Gas Association, approximately 100,000 farmers use propane while another 600,000 families use the liquid gas to heat. Under the policy, truckers are authorized to file immediately for temporary authority to transport propane rather than wait for the shortage to occur and then file.

The second action required regulated utilities to notify the Commission before curtailment of any customer services because of the unavailability of gasoline for service vehicles.

Cooperatives

A far-reaching case involving a dispute between electric cooperatives and investor-owned utilities was filed in September, 1978. In the case, New-Mac Electric Cooperative alleged that an investor-owned utility, Empire District Electric Company, planned construction of distribution lines into an area already served by the cooperative. New-Mac alleged the construction would duplicate distribution lines owned by the cooperative which New-Mac claimed would be a waste of natural resources.

The issue was still pending when the fiscal year ended.

Cold Weather Cutoff Rule

The Commission in December dismissed a proposal which would have tightened conditions under which a utility could disconnect heat-related service during winter months when it was discovered the tightened plan would make those people the Commission was trying to help ineligible for federal assistance on high heat bills.

Guidelines issued by the Community Services Administration in December indicated crisis intervention money would be used only in areas where utility shutoffs are not prohibited.

Instead, the state went through its second winter with a cold-weather rule which permits a cutoff of service only after strict notification procedures. The rule, which is in effect from November 15 through March 15, contains special provisions for the elderly and handicapped.

After the fiscal year ended the Commission received a request from nine individuals and 40 community and labor groups to change the cold weather rule. Under the proposed change utilities would be banned from terminating service of heat related service of customers who made a good faith attempt to pay between the period of November 1 through March 31 each year.

Peak Alert

In the summer of 1979 three more utilities, Kansas City Power and Light, Empire District Electric, and Arkansas-Missouri Power Company joined the peak alert program. The plan was originally developed by electric cooperatives and the object is to see if customers will voluntarily cut back usage during periods of peak demand so utilities can postpone plant expansion to handle future growth in peak demand.

Union Electric, Missouri Public Service Company, and St. Joseph Light and Power participated in the program for the first time in the summer of 1978. Union Electric triggered a peak warning on June 27, 1978 when temperatures soared into the mid-90s. During the alert period Union Electric reached a peak of 5720 megawatts on June 28 which was 72 megawatts lower than the previous high set in 1977. Missouri Public Service Company and St. Joseph Power and Light Company failed to reach levels of usage in the summer of 1978 to warrant a peak warning.

In the summer of 1979, after the fiscal year ended, all six utilities in the program issued at least one warning during the month of August when temperatures reached the mid and upper 90s.

Ark-Mo issued three warnings on successive days starting August 8. Peak usage for the utility in the summer of 1979 was 323 megawatts which was 34 megawatts less than the historical peak experienced by the company.

Empire District Electric issued a peak warning for August 7. Peak usage for Empire actually occurred August 6, 432.4 megawatts, which was 15 megawatts below the historical peak reached by the firm.

Kansas City Power & Light Company issued a single warning for August 7. On that date usage reached 1,977 megawatts, 63 megawatts shy of the firm's historical peak.

Missouri Public Service Company issued a single warning for August 7. Mo-Pub reached a new historical peak of 633 megawatts a day earlier, August 6, which was 11.5 megawatts above its previous historical peak. Mo-Pub failed to issue a peak warning earlier because of an agreement with KCPL that if one of the two utilities decided against a warning, neither of the utilities would issue one. Mo-Pub and KCPL both serve portions of metropolitan Kansas City.

St. Joseph Light & Power issued a peak warning for August 7 and usage of 257.4 megawatts on that date exceeded the previous historical peak of 255 megawatts.

Union Electric triggered two warnings in the summer of 1979, for August 7 and again for August 9. Peak usage in the UE service area reached 5,795 megawatts on August 8, which was 3 megawatts higher than the firm's previous peak of 5,792 megawatts.

KCPL, Empire, and Ark-Mo will participate in the experimental program again during the summer of 1980.

Wholesale Natural Gas Rates

In February the Commission intervened in a case before the Federal Energy Regulatory Commission in which Mississippi River Transmission Corporation sought authority to increase rates to Laclede Gas Company by \$25.5 million which would have passed on to customers in the Laclede service area. The Commission questioned \$12 million of the increase which Mississippi River Transmission said would be Laclede's share of storage costs. The case was eventually settled for \$7.9 million, a savings of \$17.6 million to ratepayers in the Laclede service area.

Federal Actions

The Commission made two requests of utilities during the fiscal year based on action by the federal government. In April the Commission issued an order which directed all utilities to file with rate increase requests information explaining whether the proposed increase complied with the President's voluntary wage and price guidelines. The order said if a utility is unable to bring its request in line with the standards, the Commission expects an explanation.

A June letter from the Commission to all utilities said a federal corporate tax reduction from 48 to 46 percent, effective January 1, would mean additional revenues for all utilities which had their rates set prior to the reduction, although the increase in social security taxes may cancel out some of the additional monies. The Commission asked companies to review records to gauge the effect of the reduction and, if possible, pass any savings on to customers.

KCPL Management Audit

In May the Commission approved a plan submitted by Kansas City Power & Light Company to implement a majority of the recommendations made in an audit of the utility performed by the management consulting firm of Booz, Allen and Hamilton. The audit was ordered by the Commission in October, 1977. KCPL estimated the total cost of the plan at \$4.6 million but the company projected that over a period of three years benefits from the plan would be approximately \$5.5 million. The management consulting firm made a total of 82 recommendations for improving the company's organization, policies and procedures, management, and operations.

Commission

The Commission lost two members during the fiscal year. The term of Hugh A. Sprague expired April 15, 1979. Quickly confirmed for the vacancy was Larry W. Dority, 27, the youngest to ever serve on the Commission. Commissioner Stephen B. Jones resigned effective March 15, 1979. After the fiscal year ended Stephanie Bryant was appointed to fill the vacancy. She was confirmed by the Senate during a December special session of the Legislature.

Section IV: Operations

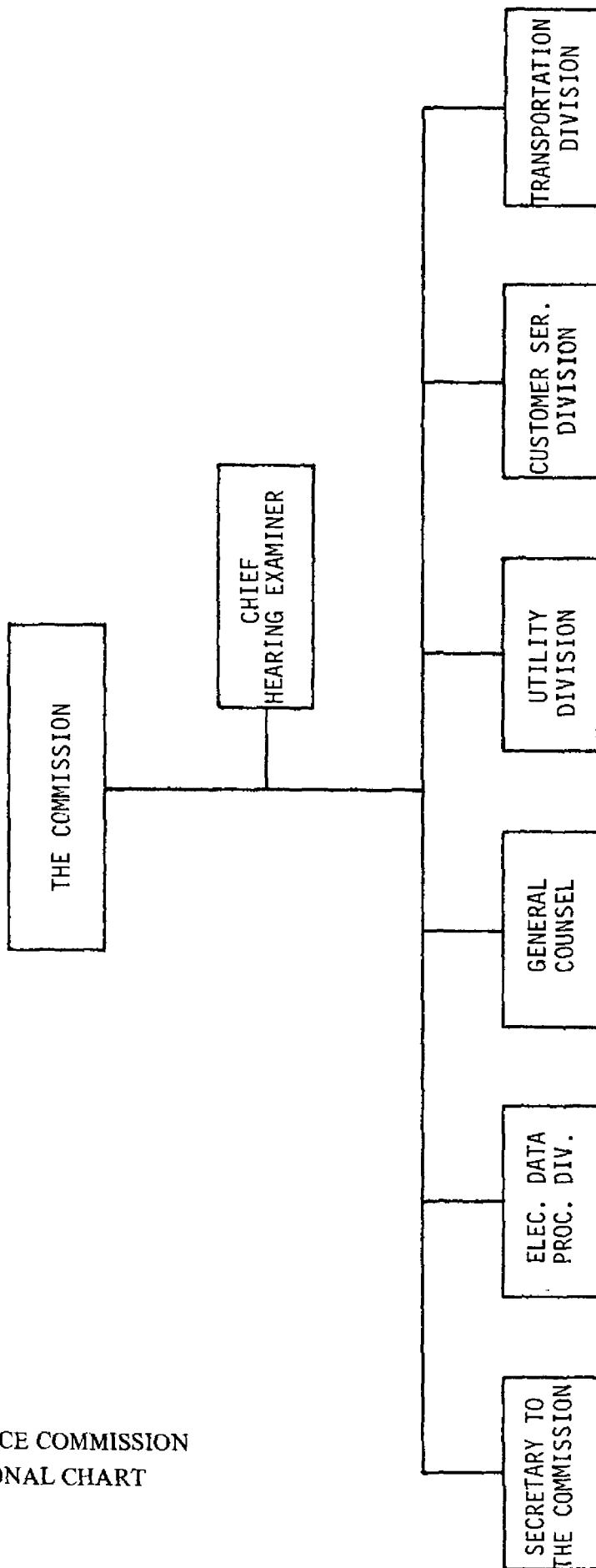
In the operations portion of the annual report, the divisions, departments, and sections which made up the Commission during the past fiscal year are discussed. This portion of the annual report is presented in the same order as the organization diagram which appears on the following page.

Office of the Secretary

The **Office of the Secretary** provides the administrative coordination for all divisions and handles the official business of the Commission. This division has six departments, *Orders and Distribution, Commission Files, Reporting, Internal Accounting, Information, and Mail, Reproduction, and Maintenance.*

The Secretary is assisted in his duties by an assistant executive secretary and two administrative assistants who are specialized in the areas of transportation and utilities.

PUBLIC SERVICE COMMISSION
ORGANIZATIONAL CHART
JUNE 30, 1979



The **Office of the Secretary** processes applications filed with the Commission, maintains the general files and prints Commission orders utilizing the *Commission Files, Orders and Distribution, and Mail, Reproduction and Maintenance Departments*. In fiscal 1978-79, there were 273 new cases filed. Included in that total were 69 rate cases.

Orders and regulations issued by the Commission are made official by the certification of the Secretary and affixing of the state seal.

Copies of orders and other documents for the cases are kept in numbered files that are open for public inspection. The file on a case contains any applications, motions, correspondence, orders, and transcripts and exhibits for cases that receive a formal hearing. Some older cases are on microfilm, but the more recent ones will be in their original form.

Anyone interested in obtaining copies of information can do so by paying a fee, required by law, to cover the costs of reproduction.

The **Office of the Secretary** assigns cases to members of the Commission, schedules hearings and maintains the docket, or hearing calendar.

The majority of hearings are held in the Commission's hearing rooms on the tenth floor of the Jefferson State Office Building, 100 E. Capitol Avenue, Jefferson City. Other hearings, most of which involve rate deliberations, are held throughout the state to allow the customers affected by the case to conveniently present their views. There were 42 separate hearings conducted in eleven cases in the various service areas affected in the cases during fiscal 1978-79.

The *Information Department* responds to inquiries from reporters, and others who need information about the Commission's work. This department also publishes the annual report and assists the Commission and other sections with writing and editing reports and speeches. During fiscal 1978-79 the *Information Department* issued 425 news releases and completed a consumer pamphlet which describes the rights customers have under a new rule adopted by the Commission on billing practices of electric, gas and water utilities.

The *Internal Accounting Department* takes care of Commission finances. The duties of this department include assembling the budget (which appears on page 7 & 8), processing expense accounts and bills for goods and services.

The staff in this department conducts semi-annual audits of the License and Permits Section in the **Transportation Division** and the *Mobile Homes, Recreational Vehicles and Modular Homes Department*.

The department also draws up the assessment for utility and railroad companies that become a portion of the Commission budget which is appropriated by the Legislature. It also handles the authority for fees paid by companies when they issue securities and miscellaneous monies received by the Commission.

The *Reporting Department* performs work similar to that of court reporters in the judicial system. The reporters make a verbatim recording of the proceedings before the Commission and prepare transcripts for addition to the case files.

Copies of the transcripts, which are usually prepared within 30 days of the hearing, may be purchased at a price of 25 cents per page.

The Reporting Department's activities for the past two fiscal years is detailed below:

	1977-78	1978-79
Hearings	251	231
Hearing hours	756.5	889.5
Transcript pages	26,248	27,666

Electronic Data Processing

During fiscal year 1979 the Missouri Public Service Commission began a structural move back to the state computer system from MCAUTO which is the time-sharing computer network of McDonnell-Douglas. This was done to reduce the cost associated with processing, and to support the State Data Center (SDC). Approximately one-third of the Public Service Commission computer applications have now been moved from MCAUTO to SDC.

One of the major accomplishments of the EDP Division during the fiscal year has been handling a greatly increased rate case load. Timely transfer of information from EDP to the PSC staff made it possible to examine all the facts in a rate case and preparation of recommendations by the staff without dependence upon the analysis of those facts by other groups. There were 206 utility cases filed during fiscal year 1979 which had EDP involvements.

Security of utility tariffs became an EDP priority during the fiscal year. Consequently, a cost-benefit analysis was begun on the acquisition of a Microfiche system to maintain a safe, permanent copy of these and other reports which the Commission, by law, must keep on file.

The PSC's EDP Division is also in the redevelopment phase of a Consumer Complaint data base. The system previously was implemented at MCAUTO, but has been scheduled to be moved to the SDC. In order for the SDC to handle data base applications such as this, the Integrated Data Base Management System was acquired. The EDP staff of the Commission will be the first user of the SDC to implement a data base using this package. Scheduled implementation is the second quarter of fiscal year 1980.

Office of General Counsel

The General Counsel and his staff perform the Commission's legal work. The General Counsel also represents the Commission technical staff in hearings before the Commission. The General Counsel or a member of his staff reviews evidence prepared by the technical staff to determine what position the technical staff will take on issues. During a formal hearing before the Commission, the General Counsel or a member of his staff presents witnesses, cross-examines the witnesses of other parties to the case, prepares briefs, and participates in oral argument.

The General Counsel is legal advisor to the Commission, and represents the Commission in the courts and before Federal regulatory agencies. Reports and Orders issued by the Commission are studied by the General Counsel's staff for legal sufficiency. This Division also helps draft proposed rules and regulations under which the Commission operates. Further, the General Counsel's office helps draft legislation pertinent to Commission business.

If the Commission finds that a regulated company has violated state law or Commission rules and regulations, the Commission may authorize the General Counsel to file legal action against the company.

The workload of the **General Counsel's** Office is listed below.

	<i>FY 1979</i>
Cases filed	2,700
Motions filed	1,050
Cases heard	475
Cases set	610
Transcripts filed	440
Cases on appeal in Mo. Appellate Courts	85
Penalties cases (Circuit Court)	25
Federal cases (FERC)	40
Federal cases (ICC)	8
Federal cases (NRC)	1
Federal cases (FCC)	8
Federal Dist. & Appeal Court cases	5

The above figures do not reflect the many hours the **General Counsel** and his staff spend in preparation of legal opinions for the Commission and the technical staff. Nor do the figures reflect the many hours consumed by the **General Counsel** and his staff in advice to the public about the Public Service Commission law.

Utility Division

The **Utility Division** provides the Commission with independent information on rate and service related matters and also implements Commission orders dealing with those subjects. Sewer, water, electric, gas and telephone companies are the subjects of their efforts.

The division gathers its information through audits, investigations, inspections and rate reviews before preparing testimony and exhibits for use by the Commission in its formal proceedings. The information also is utilized by other staff members in the various divisions.

Through research and planning studies, the division also aids the Commission in rate structure deliberations and on questions concerning firms' long term investment needs for construction of additional facilities.

The division's personnel also conduct special studies to gauge the impact of federal regulation and legislation and also appear before the Federal Energy Regulatory Commission, the Federal Communications Commission and other federal agencies, on behalf of the Commission.

The division has a staff of 70, including accountants, engineers, economists, rate and tariff specialists, technicians and clerical personnel. The staff is centralized in Jefferson City but also works out of the regional offices in St. Louis and Kansas City.

The **Utility Division** consists of four departments, *Accounting, Rate Administration, Research and Planning, and Financial Analysis.*

The *Accounting Department* performs audits on the books and records kept by the utilities to determine if they are properly maintained and that expenses listed are necessary and reasonable.

This department also does special audits under certain circumstances. For example, when companies request authority from the Commission to issue securities.

Accounting spends much of its time performing audits on the companies which have made rate requests. The audit of an individual company can take from a few weeks to several months depending on the company's size. If a utility is owned by a parent company with records outside Missouri, the utility must pay the expenses incurred by the accountants performing the audit.

When an audit is completed, the results, along with the written testimony of the participating accountant or accountants, is filed with the Commission.

The accountants also participate in the hearings by providing assistance to staff attorneys. They also may be called to testify during the cross-examination portion of the proceedings.

The *Accounting Department* prepared 51 rate case audits during the 1978-79 fiscal year. Performing these audits required 39,300 man hours. The department also did six rate reduction audits and 12 small informal rate case audits which required 2,200 and 600 man hours respectively. The annual review of utility annual reports was also conducted which required 2,700 man hours.

In the previous fiscal year, a total of 95 audits were completed which required 44,600 man hours.

The *Rate Administration Department* is responsible for most of the rate-related functions which require the expertise of professional engineers, economists and technicians. Its personnel also handle some service complaints and safety related matters. This department has four sections, Depreciation, Electric and Gas, Water and Sewer, and Telephone.

The department's primary function is to review and evaluate each tariff filing to determine the impact the changes will have on both the utility and the customers. The department reviews company proposals and Commission orders.

The Depreciation Section handles all matters concerning the depreciation amount which utilities are allowed on their capital investments. This section makes staff determinations on whether the amount the customer is paying for depreciation cost is reasonable.

After a utility files a request for an adjustment of its depreciation rates, the section examines it and either recommends the changes the staff thinks are required or undertakes a depreciation study. In 1978-79, the section conducted approximately 32 depreciation studies.

The section also aids small water, sewer and telephone companies in establishing a proper depreciation schedule if the staff decides it would be uneconomical for a firm to hire outside help to make the determination.

The section also aids the Commission in the establishment of the utilities' rate bases. When it decides a rate case, the Commission examines and determines the original cost rate base and the fair value rate base for the company.

The rate base is the amount invested on which the utility is allowed to earn a return. The original cost rate base is derived by subtracting the total depreciation reserve from the total original cost of the facilities used in providing services. Trended original cost less depreciation is determined by applying accepted cost indices to the original cost investment for various classes of utility rent.

The trended original cost less depreciation is utilized by the Commission to determine the fair value of the company's facilities used for providing service. After a utility presents fair value evidence in a rate case, the Depreciation Section generally conducts an independent study and presents findings through testimony and exhibits for the Commission to use in their determinations of fair value. The section conducted 42 such studies during the last fiscal year.

The remaining three sections, Telephone, Electric and Gas, and Water and Sewer are all divided between their engineering and rate functions.

These three sections are responsible for the review, analysis and processing of all tariff filings which are submitted to the Commission. In rate cases, these groups provide expert testimony regarding rate designs proposed by the various utilities and may propose alternative rate designs.

The sections keep a close watch on the physical properties of utilities to ensure safe and adequate service is provided to their customers in compliance with the rules of the Commission. They also handle service-related complaints and other matters which stem from the lack of facilities or technical problems which may require a field investigation.

In addition to supplying rate information, the Telephone Section also monitors the quality of service and conducts field investigations stemming from complaints and other non-rate related matters. During fiscal 1979 the section conducted 75 field investigations and handled 400 complaints.

The Telephone Section also maintains detailed exchange boundary maps for the service areas in which the utilities are authorized to operate. If ordered by the Commission, the section also supervises calling usage and cost studies to determine if toll-free calling should be established or extended between two or more exchanges. The staff supervised seven such studies during the last fiscal year.

The Electric and Gas Section handled 156 complaints during the fiscal year in addition to its other functions relating to the utilities in that grouping. The section also processed 200 requests for variances, exemptions from the Commission's rules and regulations under certain circumstances, which resulted in 31 field inspections.

In the area of safety, this section has experts who monitor the installation and maintenance done by electric utilities to ensure the companies comply with national guidelines. The section also handles power plant inspections and inspections stemming from electrical accidents.

The section's experts on electricity also perform studies to determine the impact construction will have on the effected area. If necessary, the section will provide a company with technical assistance on problems stemming from construction.

The Gas Safety Department, in this section, checks to see that natural gas companies comply with Commission rules and regulations, in addition to federal and state statutes. The safety standards apply to 14 investor-owned natural gas distribution companies. Interstate natural gas pipelines and municipally-owned distribution companies are regulated by the Federal Department of Transportation. As the fiscal year ended, the Legislature passed and the Governor signed a bill which gave the Commission jurisdiction over gas safety of municipal gas utilities.

During the fiscal year, experts from this department conducted six inspections.

The Department also conducted four investigations of gas related accidents. Gas related incidents which result in a fatality, personal injury, or property damage in excess of \$1,000 are reported to the Gas Safety Department.

Another function of the Gas Safety Department is to monitor odorization of natural gas which, in its pure form, has no odor. The odor is added to ensure safety. Companies submit monthly odorization reports which are reviewed by the staff to ensure that gas which is distributed has a safe level of odorant. Field tests are conducted by the staff to verify odorant levels.

The Electric and Gas Section also monitors the Purchased Gas Adjustment (PGA) and the Electric Fuel Adjustments (FAC). The fuel adjustment clauses allow the utilities to pass through to the customer fluctuations in the cost of fuel. These adjustments are filed monthly with the Commission and checked closely to ensure only the proper amount is charged.

The Water and Sewer Section has the task of handling rate matters and safety requirements for the privately owned water and sewer companies. Its functions call for close cooperation with the Department of Natural Resources, which establishes the environmental and safety requirements in these areas.

The staff in this section handled 111 complaints relating to water and sewer service in the last fiscal year.

The section also conducted 86 inspections on the state's privately owned sewer and water utilities to ensure the service provided was both adequate and safe.

When a company requests the right to provide a service in an area, this section studies whether the service is necessary and subsequently makes a recommendation to the Commission on whether the service is needed.

The *Research and Planning Department* performs detailed studies on rate designs along with reviewing and analyzing the capital expansion programs and load forecasting techniques utilized by the various utilities. These studies provide the Commission with information for the establishment of fair rates and helps to ensure the customer has an adequate supply of the utility's product.

The goal of this department is to establish a capability for forecasting the future demand the companies are facing so future capital requirements and the effects of the costs on rates can be predicted accurately.

The *Financial Analysis Department* reviews and evaluates the utilities financial structures and recommends to the Commission the rate of return which the staff believes the firm should be authorized to earn on their investments. It maintains extensive financial data on 900 non-regulated corporations and 200 major electric, gas telephone and water utilities.

The size of the rate of return determines how much profit the company will earn on its investment or rate base. Usually, there is a major difference between what the company and staff recommend.

The extensive financial research done by the department is submitted as testimony before the Commission. The company rate of return witnesses then submit their private studies and both company and staff participate in the cross-examination. The Commission makes the final decision on the rate of return.

In fiscal 1978-79 the department prepared rate of return information on 12 cases.

The financial data on the utilities is also monitored by this section. The companies submit monthly reports on their financial status and earnings to enable the personnel to closely watch profit levels.

In relation to the ongoing examinations of the required profit levels, this section conducts studies relating to the bond rating status or credit of Missouri utilities. This is done to ensure that the companies ability to obtain future financing will not be unduly hampered by a low bond rating.

The *Financial Analysis Department* is involved in continuous data gathering to remain abreast of economic activity, profitability of the regulated and non-regulated industries, interest rate movements, inflation trends and stock market activity.

Utility Customer Services Division

The **Utility Customer Services Division** investigates consumer complaints and analyzes managerial effectiveness of regulated companies. It is comprised of three departments, *Consumer Services, Office of Management Services, and Mobile Homes, Recreational Vehicles and Modular Homes.*

The *Consumer Services Department's* goal is to aid the consuming public. This department deals with complaints and other issues concerning service consumers raise. Its personnel are involved in billing practices and other related items.

When a consumer is not satisfied with the service performed by a regulated utility or needs information about his service, he should first go to the company before considering filing a complaint. In most cases, the company will adequately respond to any request.

If the person does not contact the utility, the Commission may require him to do so before accepting his complaint. However, this requirement can be waived by the Commission in some situations.

If a consumer believes the company's response is not adequate, he can bring the issue before the Commission either informally or formally. He is not required to hire a lawyer to file either form of complaint.

The most common form utilized by Missouri consumers is the informal complaint. This type of complaint can be submitted in person, by telephone or by letter. When making a complaint, the person should supply the Commission with the pertinent facts concerning the request or complaint.

Informal complaints and requests are handled by the Commission staff through discussions with the company and customer. If the decision is not satisfactory to the customer, he can either ask that an informal conference be held, which he must do within five days after receiving the informal decision, or file a formal complaint.

If the informal conference request is granted, the Commission's chief hearing examiner will appoint a hearing examiner and other personnel to hear and write an informal decision concerning the complaint.

If the informal conference decision is not acceptable, a formal complaint can still be filed.

A formal complaint must be in written form and usually requires a written response from the utility. The Commission will then hold hearings to resolve the matter.

The Commission maintains consumer services offices in St. Louis and Kansas City for the convenience of the large number of utility customers in those areas. Anyone who has a request for information or a complaint in Kansas City or St. Louis should contact the local office.

The St. Louis Office is in Room 219, 4625 Lindell, St. Louis, Mo., 63108. The telephone number is (314) 367-5234.

The Kansas City Office is in Room G-33 of the State Office Building, 615 E. 13th St., Kansas City, Mo. 64106. The telephone number is (816) 274-6816.

The Commission has a toll-free telephone line to handle consumer complaints. The "Consumer Hotline" number is (800) 392-4211.

Consumers who live outside the major metropolitan areas can make their requests or complaints on the hotline, in person at the Commission offices on the ninth and tenth floors of the Jefferson State Office Building, 100 E. Capitol Avenue, Jefferson City, or by writing the Public Service Commission, P. O. Box 360, Jefferson City, Mo. 65102.

The following is a breakdown of the complaints handled by the department in the last fiscal year:

COMPLAINTS 1978 - 1979

	<i>Telephone</i>	<i>Electric</i>	<i>Gas</i>	<i>Water</i>	<i>Sewer</i>	<i>Other</i>	<i>TOTAL</i>
July - 1978	268	158	108	25	4	8	571
August - 1978	335	228	127	27	8	6	731
September - 1978	282	189	106	22	7	8	614
October - 1978	234	157	126	24	3	5	549
November - 1978	257	135	190	14	8	7	611
December - 1978	240	128	107	5	7	6	493
January - 1979	339	207	191	24	6	19	786
February - 1979	292	156	242	18	5	16	729
March - 1979	389	198	222	24	7	21	861
April - 1979	449	156	183	37	16	13	854
May - 1979	384	133	132	20	12	10	691
June - 1979	428	175	118	21	10	5	757
TOTAL	3,897	2,020	1,852	261	93	124	8,247
Jefferson City	1,321	555	235	106	65	95	2,377
St. Louis	341	527	681	71	6	3	1,629
Kansas City	557	533	537	38	0	11	1,676
Hot Line	1,678	405	399	46	22	15	2,565

The department's personnel also meet with company officials to review their consumer services and make suggestions regarding problem areas.

The *Office of Management Services* aids the Commission through the management audit process, a systematic technique for appraising the effectiveness and degree of managerial sophistication of the privately owned utilities.

As a follow up to the management audit process, the personnel also perform "implementation" reviews to ensure positive steps are taken by the utility to incorporate the recommendations in the audit report.

Management Services also participates or monitors management audits and special studies ordered by the Commission which may be conducted by private consulting firms to see that they are performed in accordance with objectives of the Commission.

Personnel in this office also assist the Commission through the research and development of special projects and programs designed specifically for internal use by the Commission staff.

During the 1978-79 fiscal year, the *Office of Management Services* was involved in the following projects:

<u>Case Number</u>	<u>Title Type of Utility</u>	<u>Performed By</u>
EO 79-127	Management audit of Kansas City Power & Light Company <i>Electric</i>	Booz, Allen & Hamilton, Inc., management consultants
18,596	Continental Telephone Company of Missouri Implementation review <i>Telephone</i>	Office of Management Services
EO 77-162	St. Joseph Light & Power Management audit Implementation Review <i>Electric, Gas</i>	Office of Management Services
ER 77-116 GR 77-117 GR 77-160	Arkansas-Missouri Power and Associated Natural Gas Customer service audit of three cases involving two associated utilities <i>Electric, Gas</i>	Office of Management Services
EO 79-228	Missouri Power & Light Management audit <i>Electric, Gas, Steam</i>	Office of Management Services
EO 77-110	Missouri Utilities Company Work force management implementation review <i>Electric, Gas, Water</i>	Office of Management Services
EO 79-189	An evaluation of Commission Role Alternatives regarding Callaway 1 Nuclear Power Plant Construction	Theodore Barry & Associates, Management consultants

The *Mobile Home, Recreational Vehicle and Modular Home Department* enforces construction standards for manufacturer and dealers of that equipment.

In 1976, legislation was approved by the General Assembly that allows the Commission to contract with the Federal Department of Housing and Urban Development (HUD) to act as its agent in Missouri for the enforcement of HUD regulations on mobile homes. In return, the Commission receives federal funds calculated on the basis of the number of mobile homes sold in the state.

Another piece of legislation passed in 1976 requires manufacturers and dealers who do business in Missouri to register with the Commission. This act also transferred the responsibility for mobile home tie-downs from the State Health Department to the Commission.

This department also investigates complaints concerning construction, performance and mobile home emplacement. Before units can be sold, they must bear labels that indicate compliance with HUD standards and regulations.

In the 1978-79 fiscal year, the department did the following work:

Inspections and Investigations

Inspection of dealer lots	2450
Inspections of out-of-state manufacturing facilities	375
Inspections of modular home facilities	12
Consumer complaints handled	460

Fees Collected

Transacted sales of 5360 RV sales	\$42,880
Issued seals for 155 modular homes	1,240
Dealer registration fees	1,905
Manufacturer registration fees	4,490
Receipts for HUD out-of-state inspections	43,979
Plan approvals	25,225
Receipts for units shipped to Missouri	48,289
Postage assessment	<u>596</u>
	\$168,604

Transportation Division

The **Transportation Division** handles the regulation of rates, safety, and service areas for the bus and truck companies which operate within the Missouri boundaries. The division is also responsible for monitoring rates and service areas of railroad companies, and railroad safety.

Carriers which operate in more than one state are also regulated by the Interstate Commerce Commission. All interstate carriers who wish to travel in Missouri must file a request with the Commission.

Private carriers who do not operate for hire and farm-to-market truckers are exempt from Commission regulation.

The **Transportation Division** has five departments, *Services, Enforcement, Rates and Audits, Railroad Safety & Inspection, and Transportation Research and Planning*. The Division director oversees these departments.

The *Transportation Research and Planning Department* has been placed with the **Transportation Division** but is independent from the other departments and the division director.

The *Services Department* has five offices, **Operating Rights, Insurance, Licenses and Permits, Passenger Services, and Rail Services.**

The Office of Operating Rights deals with the authority the carriers have in regard to the type of cargo they may carry and in which geographic area they can operate. The carrier may be allowed to haul only a single commodity over irregular routes within a designated area between Kansas City and Springfield, while another may have authority to carry general cargo over regular routes to many points in the state. A carriers' authority is determined on the basis of the need for that service and the ability of the carrier to provide it.

The carrier's service area is described in a **Certificate of Public Convenience and Necessity** or **contract Carrier Permit** which are filed in the Office of Operating Rights. To obtain or modify its authority, a carrier must submit an application with the Commission.

The Office of Operating Rights then reviews the application and notifies other carriers who might be affected by the request.

A hearing before the Commission is then held to take testimony from the applicant carrier, any opponents or supporters of the request, and from the staff.

The carrier's application is then granted or denied on the basis of the evidence given at the hearing.

The activities of the office are detailed below:

	1977-78	1978-79
Applications for intrastate authority	260	193
Initial grants for authority	138	152
Additional grants for authority	110	118
Grants of temporary authority	103	115
Transfers of intrastate authority	222	273
Interstate Permits Issued	1,698	1,915
Interstate Permits revoked	1,491	760

The Office of Insurance keeps track of cargo and liability insurance coverage carriers are required by law to have. If cargo insurance is not needed by the carrier, for example in the case of dump trucks, the Commission may waive the requirement.

Although the Interstate Commerce Commission regulates interstate carriers, they are also required to file proof of their liability insurance with the Commission before the carriers are allowed to operate within the State.

If the carrier allows his insurance to lapse, the insurance company sends a notice to the carrier and the Office of Insurance. Once the insurance is void, the carrier's authority is suspended until the insurance is renewed.

If the insurance is not renewed in a reasonable period of time, the carrier may be required to show why his authority should not be revoked. A reasonable time period is determined to be approximately six months.

The work of the Office of Insurance is shown below:

	1977-78	1978-79
New Certificates received and filed	9,538	9,738
Cancellation notices received	5,683	5,591
Carriers suspended due to cancellation	2,720	2,568
Carriers reinstated upon renewal	1,592	1,397

The Office of License and Permits issues bus and truck companies the license stickers or stamps that must be carried on each vehicle operating in Missouri. The funds from the license sales make up a portion of the Commission's budget which is appropriated by the General Assembly.

The section sells two types of licenses. The annual license, which is good for one year, costs \$25. The other type of license is valid for only 72-hours and can be purchased for \$5. The 72-hour licenses are utilized predominately by interstate carriers who are in Missouri for only short periods of time.

Licenses may be purchased by mail or at the Jefferson City office. Some truck stops are linked to the Jefferson City office with facsimile transmitters through which the 72-hour license can be purchased.

Damaged stickers are replaced by the Commission although a \$1 charge is levied for the service.

License sales are shown below:

	1977-78	1978-79
<i>Bus</i>		
Annual License	3,244	3,990
72-hour License	637	210
<i>Truck</i>		
Annual License	59,783	65,604
72-hour License	46,038	51,827
Replacements	23	23

For the twelve months ending on June 30, 1979 the license sales totaled \$2,022,786. This represents an 11.8 percent increase in sales over the previous fiscal year total of \$1,809,073.

The Office of Rail Services examines tariffs and tariff supplements submitted to the PSC by railroad companies. The duties of the Office of Rail Services encompass: The examination and filing of rail tariffs and supplements including recording receipt, examining, suspension recommendation, filing, and cancelling tariffs; processing special permission applications; notification of potential intervenors in rail abandonment hearings; and assistance in the disposition of rail service complaints.

Rail line abandonments have become increasingly frequent in the last twenty years, especially in rural areas of northern and western Missouri. Under the provisions of the Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act) which became a part of the Interstate Commerce Act, railroad companies are required to provide advance notice of potential abandonments to the ICC and the affected communities.

A comparative examination of the work performed in the Office of Rail Services reveals the following:

<i>Rail Services</i>	<i>1977-78</i>	<i>1978-79</i>
Railroad tariffs received and filed	3,832	4,132
Service complaints handled	20	24
Special permission orders issued	20	17
Tariffs suspended	0	2
Tariffs rejected	0	0
ICC filings to abandon rail lines	6	7
Station closings	7	8
General rail rate increases	1	3

The Office of Passenger Services regulates all intrastate, privately-owned bus and transit operations, except for school buses which carry students to school functions, van-pool operations which serve employees of a single company, and taxicabs with a capacity of not more than five passengers (390.030 RSMo.). This office is responsible for passenger and express service tariffs. Regulation of passenger carriers entails a serious social responsibility because many people who depend on regulated passenger carriers for essential transportation cannot afford private transportation. The PSC attempts to maximize service and minimize rates while assuring passenger carriers a sufficient return on investment to provide for upkeep of equipment and facilities and reasonably attractive profits.

The Office of Passenger Services performs eight different functions as follows:

1. See that all passenger carriers have the necessary tariffs on file before issuance of a certificate of convenience and necessity.
2. Maintenance of all tariffs in a current file which includes the detailed work of receiving, recording receipt, examining, recommending suspension, filing, and cancelling express tariffs and supplements.
3. Review and referral of requests for "special permission" for relief from some part of a tariff circular for a particular tariff publication.
4. To evaluate applications for changes in time schedules of regular route passenger carriers and to notify people in communities affected by proposed changes.
5. Evaluation of applications for emergency temporary authority to provide intrastate passenger service.
6. Investigation of complaints concerning passenger and express service.
7. Maintenance of an operating authority file.
8. Preparation for and participation in Commission proceedings regarding granting or abandonment of operating authority.

During the past fiscal year a total of 142 tariff and time schedules have been filed with the Office of Passenger Services.

The *Enforcement Department* either through routine inspection or investigations stemming from complaints, determines whether bus and truck companies are in compliance with the Commission's regulations and state transportation laws. This work is often conducted in conjunction with other law enforcement agencies including the Missouri Highway Patrol.

Carriers who are found violating regulations or transportation laws can be prosecuted by local authorities or asked to appear at a Commission hearing. If the Commission decides a carrier is guilty of any violation, it is empowered to direct the Commission Counsel to sue for penalties in the Courts.

Some typical violations are failure to comply with safety regulations, operating beyond the scope of authority granted by the Commission to the carrier, operating without authority and charging rates different from those stipulated by the Commission.

The following is a detailed look at this department's performance over the past two years:

	<i>1977-78</i>	<i>1978-79</i>
New carrier orientation	30	105
Carriers contacted	5,370	5,766
Vehicles inspected	6,213	7,057
Investigations conducted	3,027	2,315
Arrests by law enforcement authorities as a result of investigators work	981	813
Bus stations inspected	110	115
Compliance surveys	40	44
Informal complaints	653	525
Cases completed by hearing	121	91
	<i>1977-78</i>	<i>1978-79</i>
Settlements and fines received	\$ 6,100	-0-
Accidents investigated	79	73
Hours spent traveling	10,739	11,589
Cases completed by affidavit	-0-	41

Another department in the **Transportation Division** is *Rates and Audits* and the department is composed of two offices.

If required, the Office of Audits performs audits of regulated carriers when they file rate cases or in connection with other investigations. This office also reviews the annual reports that carriers operating within the state are required to file although some carriers are required to file quarterly reports under certain circumstances.

If the company does not file the required reports, its operating certificates can be suspended. Over the past year, 170 carriers were temporarily suspended and 11 had their certificates revoked.

Major bus and truck rate requests usually are filed simultaneously by a group of carriers. In this case the staff selects a representative sample from a group and conducts audits on those firms. If the sample chosen by the proponents is inappropriate, the staff may select a different set of carriers.

The results of the audit become part of the evidence given at the Commission hearing concerning the request.

During the 1978-79 Fiscal Year the following major cases were heard by the Commission:

Rate Cases

Case T-41,890 Dump Truck Carriers hauling bulk commodities given an interim rate increase of 10 percent. 5/1/79

Case T-42,383 Household Goods Carriers requested an approximately 24 percent rate increase. The case was pending when the fiscal year ended.

This office does additional work in the area of financial and statistical analyses of carriers which are used to monitor the performance of companies. If a carrier requests a transfer of new authority, this section reviews the carrier's finances.

The balance of the office's work is reflected below:

	1977-78	1978-79
Carrier Field Audits	-0-	8
Carrier Ratio Analyses	352	352
Quarterly reports audited	712	668
Annual reports audited	1,209	1,105
	1977-78	1978-79
Report Correspondence	667	853
Rate Case Analyses	3	2
Transfer Reviews	190	146
Dump truck workshops	8	8

The Office of Rates reviews proposed tariffs and schedules filed by the carriers. The office then recommends whether the Commission should allow the request or suspend it pending a hearing to determine if the request is reasonable.

Carriers wishing to change their rates are required to submit any revisions 30 days prior to their effective date to allow the staff time for review. The notice requirement can be waived with the approval of the Commission.

Requests are suspended if the Commission believes that more information is needed concerning the rate or schedule change. Objections filed by opponents to the request are also considered.

If suspended, there will be hearings scheduled on the request to give interested parties a chance to submit evidence. The Commission uses this information in addition to that supplied by the Audit Section in making its final decision.

Errors and violations of tariff rules are determined through rate compliance audits. Last year 52 audits were conducted. They indicated the following type of violations, which were all subsequently corrected by the carriers.

Results of audits of household goods carriers:

	1977-78	1978-79
Number of carriers	69	34
Bills of lading	1,860	1,381
Rate undercharges	726 (\$15,543)	254 (\$ 5,178)
Rate overcharges	955 (\$16,104)	569 (\$13,015)

A total of 1,338 bills were audited.

The staff has conducted a total of 31 follow-up investigations which culminated in all the violations being corrected. At the end of the fiscal year, two of the cases were still pending due to a lack of response from the carrier.

The staff spent a total of 324 hours in the various carriers' offices during 33 audits. The average time spent on each audit was 9-3/4 hours.

Results of audits of general commodity carriers follows.

	1977-78	1978-79
Number of carriers	5	18
C.O.D.	18	29
Bills of lading	0	673
Tariff	1	57
Collection of charges	207	5,654
Leasing	0	0
Loss and damage claims	0	66
Rate undercharges	0	73 (\$946)
Rate overcharges	5 (\$46)	490 (\$517)

By the end of the fiscal year, seventeen follow-up investigations had been conducted with the firms correcting all violations including the refunding of overcharges.

A total of 195 hours were spent by the staff in the carriers' offices while conducting the eighteen audits. The average time per audit was 10-3/4 hours.

With the exception of the field rate audits, the volume of this particular section is detailed below:

Office of Rates	1977-78	1978-79
Truck tariffs received and filed	3,498	3,953
Service complaints handled	114	112
Special permission orders issued	44	42
Tariffs suspended	0	4
Tariffs rejected	0	8

The *Railroad Safety and Inspection Department* enforces the Commission's regulations and rules and state statutes regarding railroad safety and overall railroad operations within the State.

The department investigates complaints received concerning unsafe crossings, vegetation, safe working conditions, blocking of railroad crossings, disrepair of crossing surfaces, poor maintenance of right-of-way and drainage conditions. Also grade crossing accidents are investigated to determine whether the crossing in question met Commission standards.

An important function of the staff is to promote and protect the health and safety of all motorists at public grade crossings. Their efforts have been concentrated at reducing grade crossings accidents by improving passive protection, installing more active protection, enforcing adequate driver visibility regulations, and continuing the section's "Operation Lifesaver."

The Operation Lifesaver Program was introduced to the public during the 1978 and 1979 Missouri State Fair at Sedalia, Missouri.

During the eleven day, 1979 fair approximately 50,000 people visited the Operation Lifesaver Booth which was located in the Varied Industries Building. The presentation included the showing of our film entitled "Anytime is Train Time" and the operation of two model trains. 10,000 registered for prizes.

During the year the program was presented to 130 schools, civic groups and organizations.

The objective of "Operation Lifesaver" is to reduce the number of accidents, fatalities and injuries at public grade crossings.

The staff received and processed applications for upgrading the crossing protection at 70 locations. It also handled requests for 11 grade separations and 6 grade closings. The Commission's Grade Crossing Fund was utilized to upgrade protection at 6 additional crossings.

New programs include the installation of two reflectorized crossbuck signs where physically possible at every public grade crossing not now so protected, and to utilize state grade crossing funds to assume the 10% cost previously assessed to city and/or county entities for the installation of active grade crossing protection at high priority crossings.

The *Railroad Safety and Inspection Department* also is certified to participate in the Federal Railroad Administration's Track Safety Program. Three Missouri PSC track inspectors made 324 inspections covering 6552 miles of track.

A summary of the department's activity during the last two fiscal years follows:

	1977-78	1978-79
Railroad yard and building inspections	62	59
Grade crossing inspections	856	701
Grade crossing accident surveys	195	79
Complaints Received		171
Complaints Satisfied		164
Grade crossing inventory surveys	352	295
Railroad equipment inspections	23	22
Industrial track inspections	117	96
Miscellaneous inspections	91	104
Meetings with railroad officials	266	257
Meetings with public officials	77	68
Telephone calls	1,801	1,367
Letters written	505	568
Formal hearing participation	13	11
Memos written	131	140
FRA track inspections	162	336

An annual report of grade crossing accidents and train derailments is prepared by the staff of this department for distribution to industry, educational systems and news media.

The *Transportation Research and Planning Department* has been placed on the organization chart with the **Transportation Division**, but it actually operates independently from the other departments and the Division Director and reports directly to the Commission. The purpose for creation of this office was to provide a continuing research function to aid the Commission in planning its transportation regulatory efforts.

The functions of this office concern shaping of the future of transport regulation so the Commission may anticipate and prepare for change rather than respond to change in crisis situations. The initial goals of this office concern defining objectives of the division, analyzing information processing, providing quantitative analysis in the area of econometrics, and working toward long-range goals such as:

1. Pinpointing issues which need attention of the Commission.
2. Identifying research needs and designing procedures to carry out the necessary research.
3. Collecting and analyzing commodity flow data.
4. Investigating various methods of determining the costs of providing intrastate transport services.