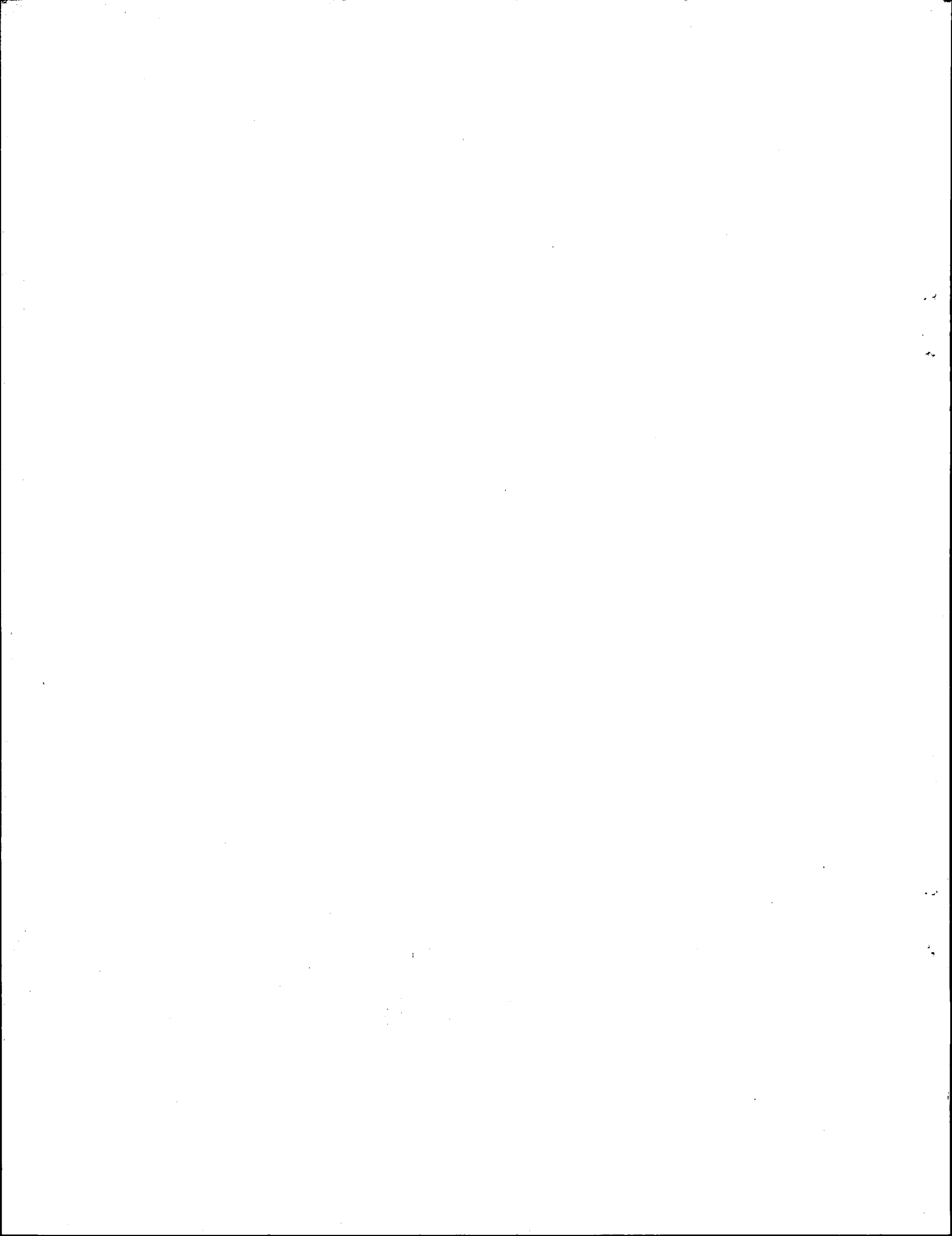


**MISSOURI  
PUBLIC SERVICE  
COMMISSION**

**Annual Report 1975-1976**





# Missouri Public Service Commission

Area Code 314  
751-3234

December 21, 1976

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MISSOURI 65101

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*Chairman*

CHARLES J. FAIN

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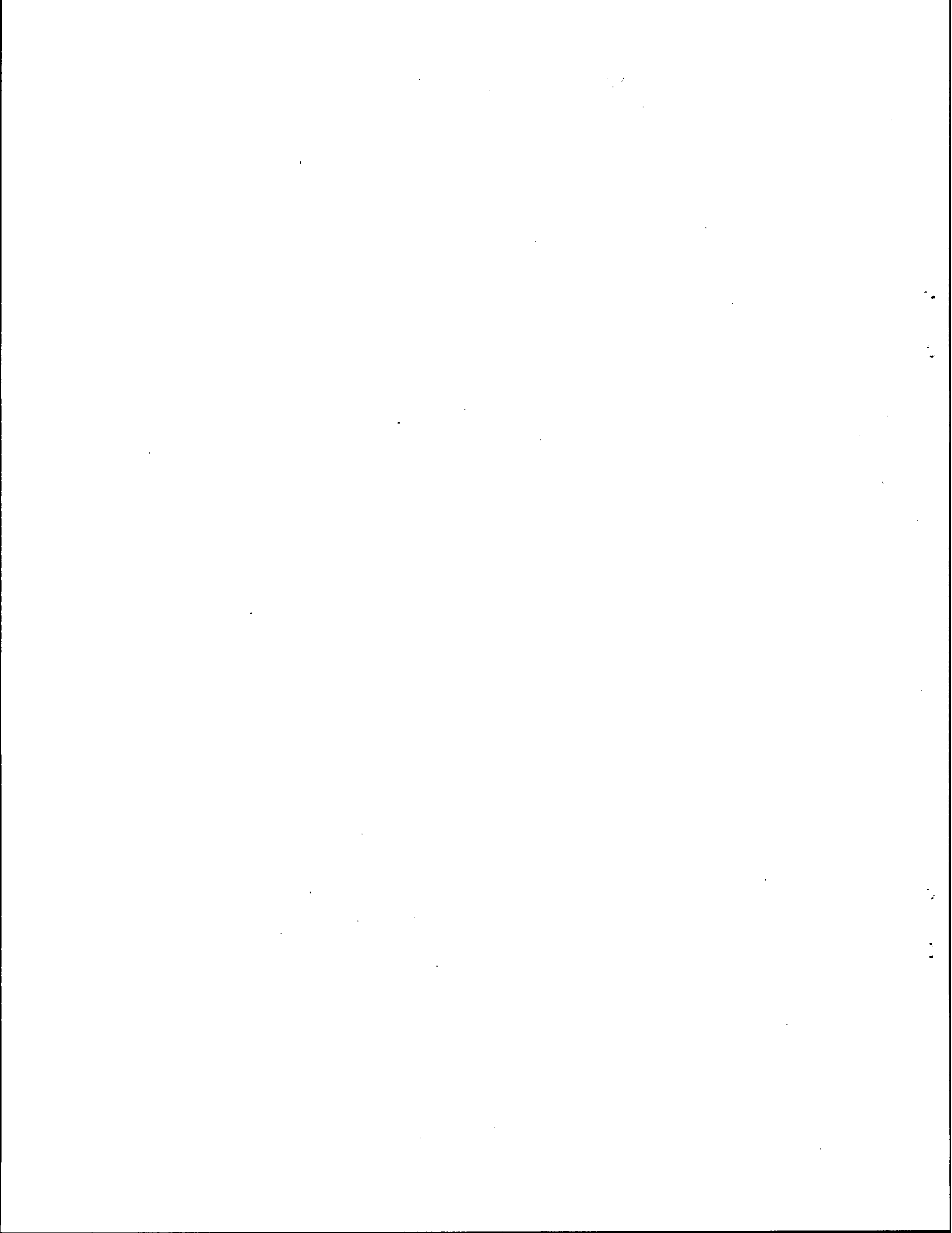
*Secretary*

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,  
1975 through June 30, 1976.

Respectfully submitted,

A. Robert Pierce, Jr.,  
Chairman



MISSOURI  
PUBLIC SERVICE COMMISSION  
Annual Report 1975-76

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



## INTRODUCTION

This Annual Report of the Missouri Public Service Commission for the 1975-1976 fiscal year is presented in four sections:

I.           **Responsibilities.** A summary of the Commission's responsibilities in regulating utility, transportation and mobile home and recreational vehicle companies.

II.           **Organization and Budget.** This section presents information concerning the framework of the Commission and staff, the source of the funds for its operations and the amounts spent.

III.           **Significant Developments.** Brief accounts of the major events and activities of the Commission during the year are contained in this section.

IV.           **Operations.** The activities of each of the divisions and departments of the Commission are discussed in this section.

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## SECTION I. RESPONSIBILITIES

### Purpose

The Public Service Commission regulates:

The rates, service and safety of operation of utility and transportation companies.

The safety of operation of rural electric cooperatives.

The manufacture and sale of mobile homes and recreational vehicles.

Utility and transportation services operated by governmental bodies or service districts are exempt from Commission regulation.

The work of the Commission generally covers five areas:

Rates

Complaints

Company Review

Applications for authority

Promulgation of rules and regulations

Each of these is discussed briefly through page 4.

### Rates

The rates charged by utility and transportation companies are subject to Commission approval before they can be put into effect. The tariff sheets containing the rates, as well as the companies' rules and regulations, are on file in the Commission office and in the companies' offices, and are open to the public.

In considering the rates of utility companies, the Commission must use two standards. One is that the rates must be reasonable for the customer. The other is that the rates must allow the company to earn a reasonable return for investors. In balancing the interests of the customer and the company, the Commission is guided by the evidence presented by all involved in the case as well as by the law and court decisions. Commission decisions may be appealed to the courts by parties in a case.

If a utility company wishes to change its rates, it must file revised tariffs with the Commission on not less than 30 days' notice. Usually, the proposed tariffs are suspended by the Commission before the notice period expires. This suspension, which can be as long as 10 months, gives the staff and other parties time to examine the proposal, and also provides time for the Commission to conduct hearings on the application.

If a company proves that it needs higher rates immediately in order to avert financial hardship the proposed rates may be approved by the Commission for an interim period pending full investigation and hearing. When this is done, the Commission may place a condition on the company requiring it to make refunds to its customers if the interim rates are later found to be

## *Responsibilities*

excessive.

The regulated companies have applied more frequently for rate increases in recent years as a result of many economic factors, causing rate proceedings to consume a major portion of the work of the Commission and staff. In most cases, audits and financial studies are performed by the staff for preparation of evidence to be submitted to the Commission at hearings. The Public Counsel of the Department of Consumer Affairs, Regulation and Licensing, who represents the general public in proceedings before the Commission, also presents a case, as can intervenors.

Rate case hearings are conducted in the Commission hearing room in the Jefferson Building and are open to the public. In many rate cases, as well as other cases, the Commission holds hearings in other communities so customers may conveniently testify in the case. These hearings are also helpful to the Commission in obtaining information about a company's service.

In the area of utility rates, there are two types of circumstances in which rates are raised or lowered without hearings because the rate changes do not affect the companies' earnings. In these circumstances, the Commission applies the purchased gas adjustment clause (PGA) for gas utilities and the fuel adjustment clause (FAC) for electric utilities.

The PGA is used when the price paid by a Missouri gas distribution company to its supplier increases or decreases. The price of the gas is set by the Federal Power Commission in Washington, D. C. If the price rises, the gas distribution company applies to the Public Service Commission under the PGA in order to cover the increased expense. The Public Service Commission allows the increase without hearings because the price of gas is regulated and the distribution company's earnings would be adversely affected if it could not adjust for the increase.

Additionally, if the gas distribution company was not permitted to use the PGA, it could file with the Public Service Commission a general rate request which would have to be granted because the higher cost is a legitimate business expense. The PGA is also used if the price of gas drops, so that a decrease in rates is passed on to consumers.

The fuel adjustment clause (FAC) is applied for reasons similar to those underlying the use of the PGA. The fuel used for generating electricity constitutes a large part of an electric utility's expenses so that fluctuations in the price can have a great impact on a company's earnings. The FAC allows the utilities to adjust for increases or decreases in fuel expenses so that earnings are not affected.

The electric utilities, however, are being permitted to use the FAC on only a trial basis because there are uncertainties about its validity. One of the major arguments against the use of the FAC is that the price of coal is unregulated and the FAC removes the incentive for companies to bargain for the best price. The Commission had allowed the FAC to be applied to commercial and industrial customers for a long time, but in 1973 investigated its use when utilities asked to be allowed to apply it to residential customers as well. In February 1974, the Commission decided to permit use of the FAC for two years. The matter was reviewed at the end of that period, and hearings were held. The Commission in April 1976 extended the FAC for two more years but with revisions to make the rules more strict. The FAC will be reviewed again in two years and the Commission will decide whether to allow further use of it. More information about the FAC is presented on page 11.

The rates of bus and truck companies differ from those of utility companies in that all transportation companies charge the same rate for similar services, and the companies' need for revenues is determined on the basis of income and expenses rather than return to the shareholder. The transportation companies usually file for rate changes as a group and a representative sample of companies is selected from the group. The operating experience of the sample companies is the basis for evidence presented by parties in the case, on which the Commission makes its decision. In other

## *Responsibilities*

respects, the proceedings are similar to those for utility rate cases.

### Complaints

When a customer is not satisfied with the service provided by a regulated company, or he needs information about his service, he should go first to the company. He may make the complaint or request for information in person, by letter or by telephone, and should accompany it with pertinent facts to support the complaint or request. He does not need to have an attorney to make a complaint. In most cases, the company will adequately respond to the complaint or request.

If the customer believes the response is not adequate, he may bring the matter to the Commission. A complaint may be submitted informally--in person, by telephone or letter--or it may be filed formally. An informal complaint, which is the most common, is handled by the Commission staff through discussion with the company and complainant. If this is unsuccessful, the staff may submit the complaint formally to the Commission.

A formal complaint is in written form and in most instances requires a written response by the company, followed by hearings before the Commission. A customer or group of customers may file a formal complaint if they believe the circumstances of their problem are such that the informal complaint procedure would not be sufficient to resolve it.

In the fall of 1976, the Commission opened consumer service offices in St. Louis and Kansas City for the convenience of customers in those areas who have complaints or need information. The St. Louis office is in Room 219, 4625 Lindell 63108. The telephone number is (314)367-5234. The Kansas City office is in Room G-33 of the State Office Building, 615 East 13th Street 64106. The telephone number is (816) 274-6816.

Customers outside of those areas should address their complaints or other requests to the Commission in Jefferson City. The office is in the Jefferson Building, 100 East Capitol 65101, and the telephone number is (314) 751-3234.

### Company Review

The regulated companies are required to comply with rules and regulations they file with the Commission subject to Commission approval, as well as with rules and regulations promulgated by the Commission and state laws. Compliance is monitored through examination of annual reports the companies are required to file; through investigations of complaints; through routine and special safety investigations, and audits.

Major utilities submit financial data each month to the Commission for use by the staff in a surveillance program made possible by electronic data processing. This material is used for reports on the companies' financial situation. These reports show whether companies are staying within the guidelines set by the Commission and indicate when a company may be expected to file an application to change its rates, or may need to be investigated for charging excessive rates.

Staff members in the various departments conduct routine inspection of company facilities and equipment, and investigate accidents to determine if any regulations or laws have been violated. If violations are found, the Commission may seek penalties in court against the company.

## *Responsibilities*

### Rules and Regulations

In many areas, the Commission has issued rules and regulations to specify the responsibilities of the regulated companies in regard to rates, service and safety. The regulations, which formerly were called General Orders, are now contained in the Code of State Regulations that was adopted by the General Assembly in 1975. The Commission regulations are found under Title 4, Division 240.

When amending regulations or considering new ones, the Commission issues them in proposed form for examination by the companies and other interested parties, who are given an opportunity to submit comments. After reviewing the comments, the Commission may hold a hearing at which the various parties may submit evidence in regard to the regulations. In some cases, several hearings and several drafts of the regulations are needed before a decision is made to adopt or dismiss the regulations.

The companies also have regulations, which must be approved by the Commission before they may be included in the operating tariffs of the companies. The process for adoption of these company regulations is much the same as it is for Commission regulations. The Commission can, as in the case of billing practices for electric, gas and water companies, adopt regulations superseding those of the companies.

In addition to the billing practices, the Commission had under consideration during the 1975-76 fiscal year regulations on telephone service standards, mobile homes and recreational vehicles, the state grade crossing fund, safety standards for electric and telephone companies, and standards for household goods carriers and carriers of general freight.

### 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 the major utilities are fixed and cannot be changed without the consent of the utility. These utilities file applications from time to time for authority to build additional plant, for authority to finance and to change their regulations. Applications for initial authority are filed occasionally by water or sewer utilities that are established to serve new or expanding subdivisions.

The greatest number of applications come from bus and truck companies who wish to have additional authority or amend their existing authority. Whether the request for authority is from a utility or transportation company, notice of the application is sent to officials, other companies and other interested parties who may wish to oppose or support it. In most cases, a hearing is held for submission of evidence on which the Commission makes its decision on the application.

## SECTION II. ORGANIZATION AND BUDGET

### Status

The Public Service Commission is administratively a part of the Department of Consumer Affairs, Regulation and Licensing (CARL) but operates independently. The Public Counsel, who represents the general public in proceedings before the Commission, is also part of CARL but is separate from the Commission.

### Commission

The five members of the Commission are appointed by the Governor, with the advice and consent of the Senate, for six-year terms. The terms are staggered so that no more than two expire in any year. The Chairman of the Commission is designated by the Governor. Traditionally, no more than three of the members of the Commission are of the same political party as the Governor. The Commissioners are required by law to devote full time to their duties and to live in Jefferson City.

### Members Of The Commission

Chairman A. Robert Pierce, Jr., 37, has served as Chairman of the Commission since April 1975. He was appointed to the Commission in 1973 for a term ending in 1979. Prior to 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, 57, has served on the Commission since October 1965, and was reappointed in 1971 for a term ending in 1977. Before becoming a member of the Commission, he was in the private practice of law in Branson. He served two terms in the Missouri House of Representatives.

Commissioner Hugh A. Sprague, 45, was appointed to the Commission in 1975 to a term ending in 1979, filling the vacancy left by the resignation of Chairman James F. Mauze'. He previously was legal assistant and press secretary to Governor Christopher S. Bond, and earlier served as prosecuting attorney of Buchanan County.

Commissioner Stephen B. Jones, 38, became a member of the Commission in 1975. His term expires in 1981. He was in the real estate business in Kansas City prior to his appointment to the Commission, and was a member of the Missouri Transportation Commission.

Commissioner James P. Mulvaney, 43, was appointed to the Commission in 1975 to fill the remainder of the term of William R. Clark, who resigned. His term ends in 1977. He was a member of the Missouri House of Representatives when appointed to the Commission, and was a dairy route salesman in St. Louis.

### Hearing Examiners

Hearing Examiners are assigned to each Commissioner to assist in conducting hearings, preparing orders and legal research. The large workload of the Commission does not permit each Commissioner to hear every case. An examiner may preside at a hearing with the same authority as

## *Organization and Budget*

a Commissioner, including ruling on points of law, the admissability of evidence and administering the oath to witnesses.

The object of a hearing is to obtain all relevant evidence that has a bearing on the case from all parties involved in the proceeding. When the 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 the 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 203 cases during the fiscal year, and wrote 192 final reports and orders.

### Publications Commission

The Publications Commission is a statutory body, consisting of the members of the Commission and the Commission Counsel, that is responsible for publishing the Public Service Commission Reports. The Reports contain significant cases selected for publication as an aid for those interested in the work of the Commission. A hearing examiner, designated the Reporter of Opinions, assists the Commission in selecting cases for the Reports and editing the material. The Reports are sold on both a single-purchase and subscription basis at a price determined by the cost of printing.

### Staff

The balance of the staff consists of approximately 200 persons, most of whom are professionals in the fields of accounting, engineering, law, economics, management, rates and enforcement. The Commission reorganized the staff in August 1975 to improve its effectiveness. That organization is shown on page 8. In July 1976, the Commission made adjustments in the organization, primarily dividing the Utility Division along rates and service lines, and separating the division of Mobile Homes and Recreational Vehicles from Transportation. That organization is shown on page 9.

### Budget

The budget, which totaled \$3,268,724 for 1975-76, 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.

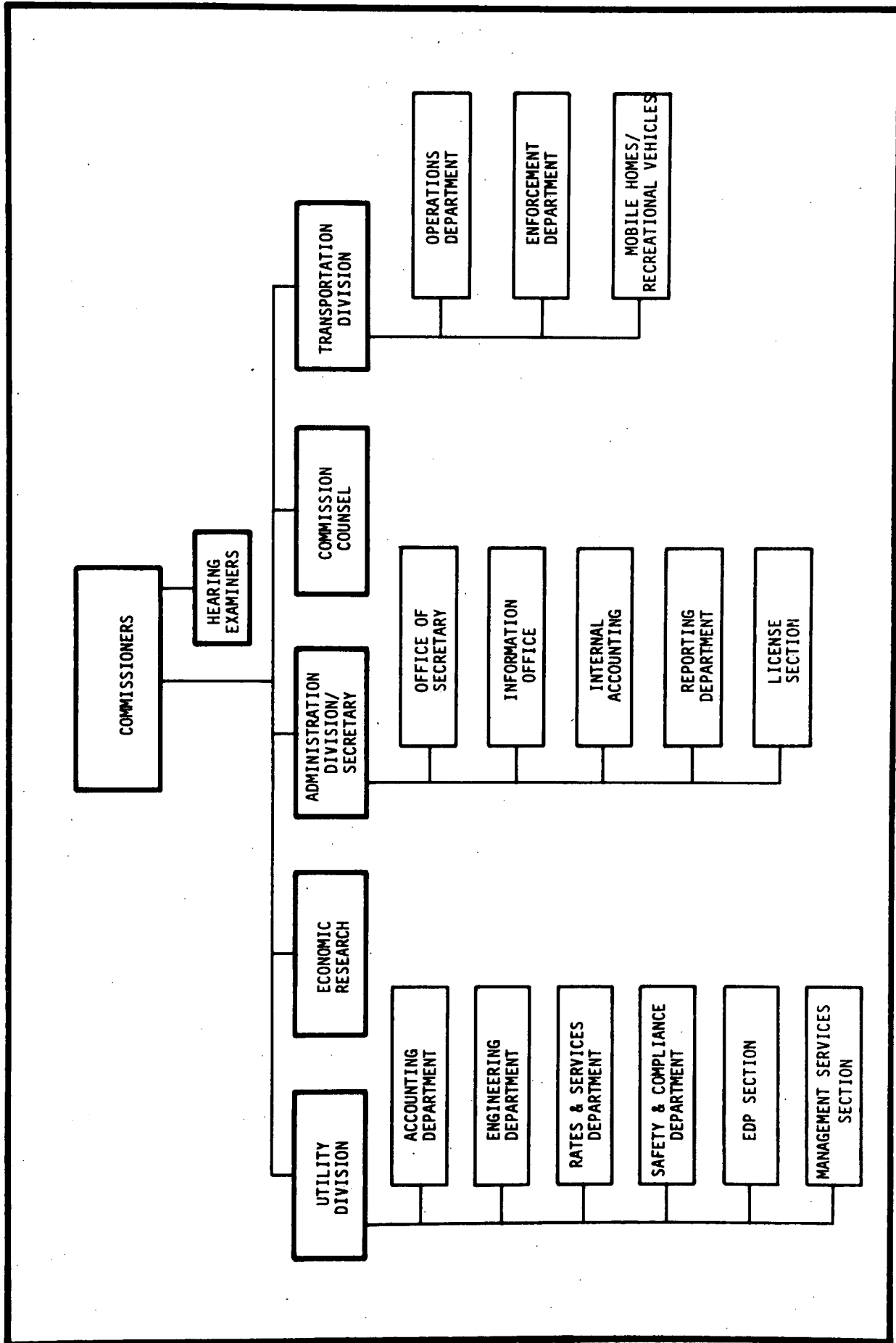
A small part of the Commission budget comes from General Revenue to support the Division of Mobile Homes and Recreational Vehicles. The amount appropriated from General Revenue is less than the total deposited into that fund from sale of licenses for mobile homes and recreational vehicles and other fees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

*Organization and Budget*

The breakdown of the receipts and budget is shown below:

| <u>Receipts</u>   | <u>1974-75</u> | <u>1975-76</u> |
|---|----------------|----------------|
| Utility Assessments   | \$1,802,263    | \$1,891,055    |
| Transportation Licenses                                     | 1,508,142      | 1,577,366      |
| Mobile Home and Recreational Vehicle Seals                  | 125,724        | 136,182        |
| Authority Fees and Miscellaneous Earnings                   | <u>54,898</u>  | <u>48,762</u>  |
| Totals  | \$3,491,027    | \$3,653,365    |
| <br><u>Budget</u>   |                |                |
| Commission Fund   | \$1,862,403    | \$1,967,047    |
| Highway Fund  | 950,553        | 978,281        |
| General Revenue - Mobile Homes and<br>Recreational Vehicles | 69,039         | 73,396         |
| Grade Crossing Fund   | <u>250,000</u> | <u>250,000</u> |
| Totals  | \$3,131,995    | \$3,268,724    |

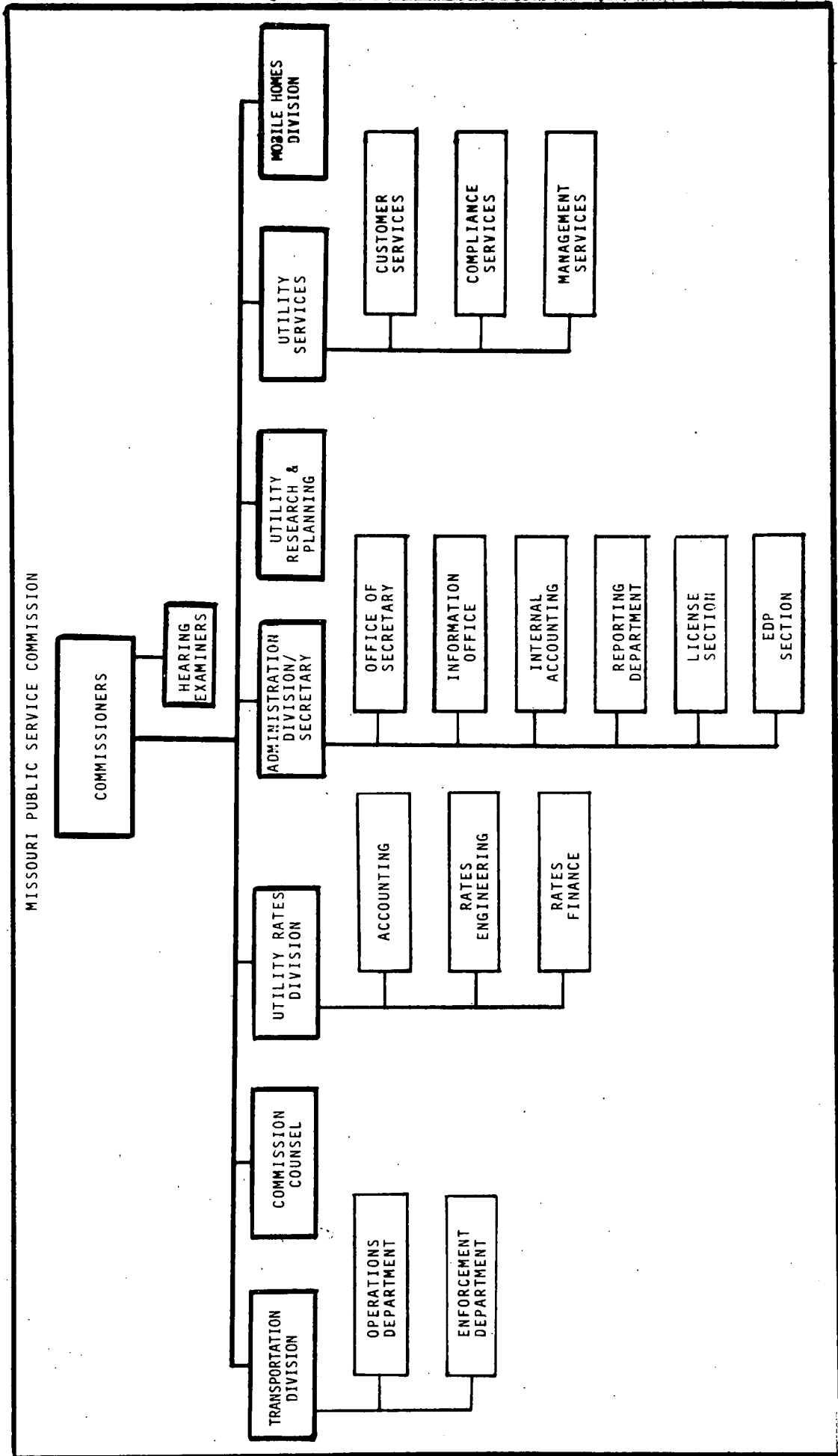
Commission Organization, August 1, 1975





Responsibilities

Commission Organization, July 1, 1976



### SECTION III. SIGNIFICANT DEVELOPMENTS

Significant developments during the fiscal year are summarized through page 18.

#### Blueprint For Action Issued

The Commission adopted in July 1975 a Blueprint for Action that set out its plans for internal action in the areas of personnel, procedures and objectives.

In the area of personnel, the Commission reorganized its staff structure and reassigned some personnel. It adopted a comprehensive personnel system and pay plan, including annual review of employee's proficiency.

The Commission adopted new rules of Practice and Procedure, which set out standards to be followed by parties participating in cases before the Commission.

A new approach to policy was implemented, establishing in writing the internal and external policies of the Commission, including among other things departmental responsibilities, budget preparation and notification for all meetings of the Commission.

The Commission initiated in the blueprint plans for a complete revision of the complaint-handling process, and an approach to its operations through the concept of management by objectives.

The objectives in the blueprint included a review by the Commissioners of the work of each section of the staff, the development of programs to better inform the public of the Commission's activities and responsibilities, a systematic revision of the tariffs filed by the regulated companies and review of the management and construction efficiency of the companies.

The Commission also proposed establishment of consumer offices in St. Louis and Kansas City to assist customers of the regulated companies with complaints or other inquiries. The General Assembly approved funding for the offices in the 1976 session and the offices were opened in the fall of 1976.

#### Consumer Bill Of Rights Issued

A Consumer Bill of Rights was adopted by the Commission in December 1975 that established new standards for the billing practices of electric, gas and water utilities for residential service and modified existing rules.

The standards specify the responsibility of the utility companies and the rights of the customers. They also impose uniformity on billing practices of all companies, thereby eliminating differences that confused customers and made the handling of complaints by the Commission more difficult.

The standards were to have gone into effect on June 1, 1976, but have been held up by appeals against the rules by utility companies.

The Commission is now working on a revision of billing practices of telephone and sewer companies.

## *Significant Developments*

Among the major provisions of the standards are:

--Utilities are required to establish written procedures to ensure prompt, efficient and thorough receipt, investigation and, if possible, resolution of customer inquiries, service requests and complaints.

--Companies must summarize their billing practices and procedures in layman's terms and send a copy to each customer. The information also must be displayed at the utility offices and provided to new customers as they are served.

--Customers will be allowed at least 21 days in which to pay their bills before the bill becomes delinquent. If the company intends to disconnect service because of a delinquent bill it must give the customer five days' notice prior to the disconnection.

--Companies may not make any late payment or penalty charge on the unpaid balance of a delinquent bill, but may disconnect service for non-payment.

--Service may be disconnected only between 8 a.m. and 4 p.m., and only on those days when the company is capable of reconnecting the service on the same day or the following day. If the proposed disconnection will aggravate an illness or other medical emergency of an occupant of the residence, the service may be continued for up to 21 more days.

--Utilities may, in limited situations, require deposits and pay interest of 6 percent per year on them. The amount of the deposit can be no more than twice the average monthly bill of the customer. If the customer establishes a satisfactory payment record for one year, the deposit will be returned, with interest.

--In most instances, utilities may not estimate bills.

--Bills must include specific information concerning customer usage, and service charges, as well as information as to where a customer may make a complaint about a bill or his service.

--Companies must have qualified personnel available during business hours to handle customer inquiries and complaints, and be available at all times to respond to customer inquiries on emergencies or service disconnections.

--Companies requesting rate increases must notify customers of the proposed change if the proposal is suspended by the Commission for investigation and hearing.

The Commission began the study of billing practices in May 1974 and issued the rules in proposed form February 1975 for comments from all interested parties. Hearings on the rules were held in St. Louis, Kansas City and Independence.

### Controls Tightened On Electric Fuel Adjustment Clause

Controls over the fuel adjustment clause used by electric utilities to recover fuel costs were tightened by the Commission in April 1976.

The fuel adjustment clause (FAC) allows electric utilities to adjust customer bills up or down each month as the price of fuel used in generating electricity changes.

The 11 electric utilities in Missouri had been given permission in 1974 to use the clause for residential customers on an experimental basis. The Commission's 1976 order extended the use of

### *Significant Developments*

the FAC for two more years, at the end of which the Commission will again study it and decide whether it should be continued, modified or abolished.

The Commission said the FAC is designed to let the utilities recover those fuel costs over which they have no control but is not intended to let utilities recover costs resulting from inefficient use of fuel or generating capacity.

The Commission concluded that additional safeguards were needed to make sure that only necessary, legitimate and unavoidable costs are passed through to customers.

It required that:

-An audit of the fuel adjustment procedures of every electric utility will be made at least once each year by the Commission staff.

-If discrepancies are found and the Commission determines that a utility used the FAC improperly, the company will be required to refund to customers any overcharge plus 6 percent.

-Utilities must file with the Commission copies of all new coal contracts covering a period of a year or more and copies of existing contracts that are renewed or renegotiated. Companies must also furnish information on the method of obtaining the contracts, other alternatives for obtaining fuel and the reasons for selection of the final contract. Companies must also provide the justification for any escalation clauses in the contracts.

The modified clause prohibits utilities from passing through to customers increases in costs of natural gas or oil they use to generate electricity.

A procedure through which Missouri electric utilities can take into account the fuel used to generate power purchased from other utilities was included in the modified FAC.

#### Review Of Utility Management Begun

In the fall of 1975, the Commission ordered the first review of the management and operations of a utility under its jurisdiction. It directed Missouri Public Service Company of Raytown to contract with a consulting firm to conduct a management review of the company.

The review was ordered to obtain an assessment of the company's management effectiveness and ability to meet the needs of its customers.

Arthur D. Little, Inc., performed the review over a five-month period, and submitted a report to the company and the Commission in which it pointed out the company's strengths and made recommendations for improvements in some areas.

Continental Telephone Company of Missouri was ordered in November 1975 to contract with a consulting firm for a management review. The Commission said it ordered the review to make sure that the company's service problems are resolved within a satisfactory period of time. The eight areas it wanted the review to cover were customer service, long-range planning, capital improvement programs, construction management, executive and management development, balance sheet management, collections and personnel practices.

Union Electric Company of St. Louis was directed to engage a consultant in November 1975 to review its plans for construction of the utility's nuclear-powered generating plant in Callaway County.

## *Significant Developments*

The Commission cannot directly participate in the management of the construction project, but intends through such reviews to be as fully informed as possible about the project.

The review of the Callaway plant construction procedures was performed by Arthur Young & Company, which made a number of recommendations for improving the management of the project that were adopted by the company.

The Commission intends to continue periodic reviews of the construction as the project continues. The first generating unit is scheduled for completion in 1981 and the second is to be ready in 1983. The two units will have a combined capacity of 2,300,000 kilowatts. Their cost is estimated at \$1.75 billion.

### Allegations Of Improper Political Activity By Southwestern Bell Dismissed

The Commission dismissed in April 1976 a case resulting from allegations that Southwestern Bell Telephone Company had improperly involved itself in political activity. The Commission had investigated the allegations after they had been brought up during the company's 1975 rate case.

It was alleged that the utility had required its employees to make political contributions through a company-operated fund and that the contributions were covered by pay increases to certain individuals.

An investigation was made by the Commission staff in cooperation with other agencies, including the Federal Securities and Exchange Commission. Testimony was taken from 17 present Bell officials and the former Bell employee who made the allegations. The Commission also invited anyone else who had information relevant to the matter to come forward, but none appeared.

The record in the case, the Commission said, contained no competent and substantial evidence of the expenditure of corporate funds for political contributions by the company.

The Commission pointed out that contributions from employees were for various amounts, were very sporadic and there was no evidence of any employees having been demoted, discharged or passed over for promotion because of a failure to make political contributions.

The Commission also investigated the participation of a former member of the Commission in hunting trips with Bell executives in 1969 and 1970. The Commission said the trips should not have been offered or accepted and there should be no mistake that the present Commission concludes otherwise. It said that the public trust requires that any semblance of conflicts of interests or other improprieties should be avoided.

It noted that parties in the case had suggested that penalties be sought against the company in court, but the Commission said that neither the Public Counsel nor the Commission Counsel suggested any constructive benefit that might result from the action.

The Commission said the penalty action would serve no useful purpose. The Commission code of ethics adopted in 1972 and revised in 1973 specifically prohibits such trips, it said, and the present Commission and the regulated companies have complied with the code.

In both cases, the Commission made available to law enforcement officials the information it had gathered.

## *Significant Developments*

It ordered a review of the company's lobbying expenses and related expenditures to ensure that the company is properly accounting for those costs. The review was to be made in conjunction with the company's 1976 rate case. It appeared, the Commission said, that Bell accounted for those items in a manner requiring reimbursement by its customers when in fact the expenses should be charged to American Telephone & Telegraph Company, the sole shareholder of Southwestern Bell.

### Exemption For School Buses Clarified

The Commission issued an order in March 1975 that clarified under what circumstances school buses may be used in charter service without needing certification from the Commission.

The case involved North County Bus Service of St. Louis, which was alleged to have violated the school bus exemption by transporting members of scout organizations and a church group on charter trips.

The parties in the case asked the Commission to clarify the school bus exemption, which applied if school buses carried students to and from school or school-related activities.

The Commission said a student is an individual formally enrolled in preschool, elementary, high school, junior college, college, university, technical or trade school.

A trip to a school-related activity, the Commission said is one expressly approved by the school board or other governing body of the school authorizing the transportation.

Under those criteria, the trips made by North County Bus would have been exempt from Commission regulation if they had been expressly approved by the schools authorizing the transportation.

The primary concern, the Commission said, is the safety of those being transported. If a school board or other governing body expressly authorizes the transportation, it said, the Commission assumes that the authorizing body has reviewed the provisions for passenger safety.

### Statewide Telephone Standards Adopted

Regulations governing the service provided by telephone companies throughout Missouri were adopted in December 1975 as the culmination of a two-year rulemaking process.

The Commission began the study of service standards in 1973 in order to have an objective basis on which to judge the quality of service offered by the companies. The new standards will provide specific data on the companies' operations, which will be of value in investigating customer complaints as well as in assessing a company's service in regard to a rate request.

The standards are expected to provide information that will enable the Commission to find potential weaknesses in a company's operations before they reach the point of causing problems for customers.

In addition to making service rules the same for all companies, the regulations establish guidelines for some areas of telephone operations for which there had been no firm rules.

The seven areas covered by the rules are quality of service; customer relations; maintenance; safety; metering, inspection and testing; engineering, and records and reports.

Examination Of Party-Line Service Ordered

All telephone companies in Missouri were ordered in February 1976 to submit information to the Commission in connection with a study of service on party lines serving more than four customers.

The study was begun in response to complaints from customers and the Commission's findings in the rate case of Continental Telephone Company of Missouri that indicated there are a number of areas in which eight- and ten-party telephone service is not adequate.

Continental was ordered by the Commission to upgrade the service in its multi-party exchanges, and regulations governing the conversion of multi-party service to four- or one-party service by the other companies may result from the study.

The companies were ordered to furnish information on the proportion of multi-party exchanges they have, their potential for upgrading, costs of upgrading, the time required for the improvements and the impact on customer rates.

State Supreme Court Affirms Commission On  
Question Of Property Contributed To Utilities

The Missouri Supreme Court affirmed in May 1976 decisions of the Commission that excluded from rate calculations for two sewer companies property given to the companies by developers or customers.

The case had been appealed to the Supreme Court by Martigney Creek Sewer Company and Spanish Lake Sewer Company, both of St. Louis County.

The companies contended the Commission should have included in their rate bases the value of sewer lines donated to them by developers and the value of sewage treatment plants built with connection fees paid by developers. They also contended that they should be allowed as operating expenses the accumulated depreciation on those facilities.

In affirming the Commission decisions, the court said that if the company's proposals were allowed a false base for future rate increases would be created and the companies would earn a return on an investment they had not made.

Appeals Court Rules Commission Can Consider  
Utility Transactions With Affiliated Companies

In a decision handed down in May 1976, the Kansas City Court of Appeals held that the Commission can consider in its determination of rate cases the transactions between utilities and their affiliated companies.

The Commission had been reversed on this point by the Cole County Circuit Court, but the appeals court reversed the lower court.

The case concerned the Commission's decision on the request of General Telephone Company of the Midwest for a rate increase. The company is owned by General Telephone and Electronics Corporation, which also owns Automatic Electric, Inc. and General Telephone Directory Company, which sell equipment and directories to General of the Midwest.

## *Significant Developments*

The Commission ruled that the amounts charged General Telephone of the Midwest by the equipment and directory companies were unreasonably high and made downward adjustments in determining the revenue requirement of the company.

The Court of Appeals held that the Commission has authority to examine the transactions between the operating company and its affiliates and could apply a profitability test to the propriety of the transactions.

### Rules For Mobile Homes And Recreational Vehicles Adopted

Rules and regulations governing the manufacture, sale and licensing of mobile homes and recreational vehicles sold in Missouri were adopted by the Commission in October 1975.

The rules and regulations were adopted to establish a comprehensive system of standards, including some that had been promulgated earlier, to be used by the Department of Mobile Homes and Recreational Vehicles.

All units must bear Commission seals certifying compliance with state law and regulations before they may be rented, leased or sold. Commission investigators, or independent investigators approved by the Commission, may inspect units as they are manufactured and inspect new or used units on a dealer's premises. If a unit does not meet the Commission standards, the license sticker will be removed and replaced with a notice stating that the unit may not be sold, leased or rented.

In order for a manufacturer to qualify for seal approval through an independent inspection firm, its quality control program and plans would have to be approved by the Commission. Independent inspectors would be approved only after submitting proof that the inspecting firm is not controlled by any manufacturer or supplier of any industry. Only those inspection firms approved by the Federal Department of Housing and Urban Development would be approved by the Commission.

### IRS Ruling Results In Applications Of Some Utilities To Double Connection Charges

The Federal Internal Revenue Service ruled in 1975 that connection charges collected by utilities would be treated as ordinary income for tax purposes. The charges had previously not been taxed.

The taxes can be up to 50 percent of the amount collected, and would have reduced by as much as one-half the amount available to the companies for construction of new facilities.

A number of sewer and water companies applied to the Commission in 1976 for authority to double their connection fees in order to compensate for the tax. Two companies, St. Louis County Water and Missouri Water, asked for permission to make no refunds on construction advances until enough customers were added to mains to cover the amount of tax on the advance.

In July and August of 1976, the Commission approved the requests of the utilities. It pointed out that any other method of recovering the taxes would place a portion of the burden on existing customers of the utilities.

Because legislation was pending in Congress that might reverse the Internal Revenue Service ruling, the Commission placed a condition on its authorization that the companies must make



## *Significant Developments*

refunds if the ruling is reversed. The companies were also ordered to make yearly reports on the amounts collected.

### Commission Reviewed By State Auditor

In 1975, the State Auditor conducted a performance audit of the Commission and issued a report in September. In response to the report, Chairman A. Robert Pierce, Jr. issued the following statement:

"We are pleased to have had the opportunity to cooperate with the State Auditor in his review of our operations. The basic job of the Commission is the performance of a public service in the regulation of utility and transportation companies in the State of Missouri. We appreciate the assistance of the State Auditor in helping us improve our service to the public.

"When I became Chairman of the Commission in April of this year, I asked our staff to review our procedures. Our Blueprint for Action issued in July was largely the result of staff suggestions. The State Auditor's report has confirmed the appropriateness of many of the changes we have made or are in the process of making.

"The other recommendations of the State Auditor are appreciated. We will continue to work on their implementation and our protection of the public interest."

### Information Booklet For Customers Of Moving Companies Proposed

In October 1975, the Commission proposed adoption of a booklet that would provide information to customers of moving companies about the shipment of household goods.

If the Commission approves the booklet, moving companies would be required to provide it to each prospective customer along with a report of the company's performance on household goods shipments.

Customers would also be given a questionnaire they could complete and send to the Commission following the move to provide data for use in monitoring the service of moving companies.

The booklet, similar to one required by the Interstate Commerce Commission, would cover sixteen areas, including selection of a mover, estimation of costs, shipping dates, filing of claims and a list of things the customer should and should not do.

### Grade Crossing Fund Regulations Adopted

The Commission adopted regulations in December 1975 governing the use of the State Grade Crossing Fund, which is used by the Commission to pay for installation of signals and other protective devices at grade crossings.

The regulations adopted by the Commission codify procedures the Commission has been using on a case-by-case basis since creation of the fund by the General Assembly.

## *Significant Developments*

The money in the fund is disbursed to make crossings safer in those instances when there is no other state money or local or federal funds available to pay for the improvements. The fund is supported by a tax on railroads' rolling stock.

A couple of the major points covered by the regulations are:

-Use of money from the fund may be initiated by complaint of at least 25 individuals; by governmental bodies; by any party to a grade crossing protection case, or by the Commission.

--The amount that can be spent from the fund in any county must be proportionate to the tax on the main line track mileage in the county, unless the Commission determines that the crossing in question is highly dangerous to the public.

### Commission Participates In First Formal Sharing Of Computer Systems

The first formal sharing of state computer systems by two departments through the use of remote equipment was begun in April 1976 by the Public Service Commission and the Division of Employment Security.

A remote terminal installed in the Commission offices permits the staff to have direct access to the Employment Security computers through a high speed communications circuit.

It provided the staff with such access for the first time, eliminating delays that had resulted from the staff's limited access to other computers to which they had to carry materials.

The Commission uses computers to maintain surveillance of utility companies, for information storage and for performing the many computations required in regulating utility and transportation companies.

## SECTION IV. OPERATIONS

The activities of the divisions and sections of the Commission during the fiscal year are discussed in this section. A diagram of the organization is shown on page 8.

### Utility Division

The Utility Division personnel work on all aspects of utility regulation, including rate cases, disposition of complaints, safety investigations, management effectiveness and reliability of service. The EDP section also works with other sections in the Commission in the use of computers for solving problems and for information storage.

The Accounting Department has two objectives: 1) to audit utility companies in preparation of the staff evidence for rate cases, and 2) reviewing company books periodically to monitor compliance with the Uniform System of Accounts, a standard that most state and federal regulatory commissions require utilities to follow.

The department also performs special audits as circumstances require such as when companies request authority from the Commission to issue securities.

Rate cases demand the most time and effort on the part of the Accounting Department. The audit of a company for a rate case lasts from a few weeks to several months, depending on the size of the company. In those cases where a company is held by a holding company that maintains the books and records outside of Missouri, the company must bear the expenses of the accountants conducting the audit.

When the audit is completed, the results of the audit, along with the written testimony of the accountant or accountants who performed it are filed with the Commission. Other members of the staff use the information developed by the audit in the preparation of their testimony and exhibits.

The accountants, along with other members of the staff, participate in the case to assist the staff attorneys and may also be called for cross-examination.

The Accounting Department performed 47 rate case audits requiring 32,540 man-hours during the 1975-76 fiscal year. A total of 29 miscellaneous audits were made, involving 1,520 man-hours. In the previous year a total of 35 audits requiring 29,600 man-hours were undertaken.

The Engineering Department covers the operations of electric, telephone, water and sewer companies, and the depreciation of utility plant. Its *Electric Section* is concerned with electricity demand, the capability of the companies to meet demand, and exchanges of power between companies in Missouri and with utilities in other states. In conjunction with the Federal Power Commission, members of this section work on national energy matters and participate in planning and operation of regional power pools, which facilitate the exchange of electricity between companies.

The power pools routinely switch power from one area to another as utilities have surplus power to sell and provide a system of reserves that may be called upon if a section of the network loses power as a result of an emergency.

The personnel of the Electric Section administer the Commission's regulations on undergrounding of electric lines, which require the burial of electric lines in new subdivisions unless the terrain makes underground placement too expensive. In those instances, the companies may

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apply for a variance from the rule. These requests are examined by the Electric Section, which then makes a recommendation to the Commission on the validity of the request.

Applications for construction of power plants and transmission lines or other installations are similarly handled by the Electric Section. The section also is responsible for checking the companies' compliance with safety codes. It continued during this fiscal year work on a proposed revision of the safety code covering utilities, rural electric cooperatives and telephone companies. The cooperatives are included in the proposed code because the Commission has jurisdiction over their operational safety.

In connection with its work, the section conducts field investigations of complaints concerning power outages, improper metering, or lack of service. During the fiscal year, the Electric Section made 65 field investigations of complaints, compared to 120 in the previous year. It handled 180 orders on electric undergrounding variances, compared to 188 in the year before, and 21 telephone line variances, compared to 12 in the preceding year.

The *Services Section* investigates telephone, sewer and water companies as to quality of service, particularly in regard to customer complaints. It also inspects new sewer and water companies for compliance with Commission standards, conducting this work often in cooperation with other state agencies that have jurisdiction over public health and sanitation.

If new construction or repairs are needed to rectify a complaint, the section checks the installation, reviews work reports and surveys customers to determine whether the action has corrected the problem.

A total of 236 field investigations were made during the fiscal year: 36 telephone, 120 sewer and 80 water. In the prior year, a total of 300 investigations were made: 140 telephone, 130 sewer and 60 water.

The *Depreciation Section* deals with the procedures used by the regulated companies in depreciating their equipment. Depreciation is an important factor in judging the rates of a company because it is an expense the utilities can recover as an operating cost. It also has a bearing on taxes, which are another expense that companies may recover.

This section examines utility depreciation adjustments, makes changes as needed, and if necessary undertakes a depreciation study of the company. Such a study requires from two to five months depending on the size of the company and the condition of its depreciation records. This section assists small water, sewer and telephone companies in establishing proper depreciation schedules because their size makes it uneconomical for them to have their own depreciation personnel. The results of depreciation studies are presented at a hearing before the Commission, which then determines the appropriate depreciation rates. Such studies are sometimes performed in connection with rate cases.

In making a decision in a rate case, the Commission examines the original cost rate base and the fair value rate base of the company. The rate base is the amount of money on which the company is allowed to earn a return. The original cost rate base is found by subtracting depreciation from the new cost of the facilities. The fair value rate base reflects the value of the plant at current prices less depreciation and is determined by trending, or the use of formulas, rather than actual figures. When a company presents fair value evidence, the Depreciation Section must conduct a separate study of the company, usually requiring one or two months, to determine the fair value rate base.

The Depreciation Section performed 36 depreciation rate analyses during the fiscal year, compared to 30 in the previous year.

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The Rates and Service Department receives and reviews company rates and regulations as they are submitted, maintains tariff files and works with most of the complaints received by the Commission.

The *Consumer Services Section* deals with complaints or other matters concerning service that are brought to it by utility customers. If a customer has not gone first to the utility, he will be advised to contact the company to give it an opportunity to resolve the problem. If the customer is not satisfied with the company's response, he should then file the complaint with the Commission. Complaints are usually taken care of informally by the Commission staff; if they are not, they are submitted to the Commission as formal complaints.

The formal complaint procedure requires a written response to the complaint by the company, followed if necessary by hearings. A customer or group of customers may initiate a formal complaint if they believe their problem cannot be resolved through the informal complaint procedure. In either approach, it is helpful if the customer supplies detailed information with the complaint, such as copies of bills, or dates and times of equipment trouble or outages. An informal complaint may be submitted in person, in writing or by telephone. At no point of the complaint process does the customer need to hire an attorney.

During the 1975-76 fiscal year, the Consumer Services Section processed 3,370 complaints, while in the previous year 2,957 were processed.

The *Tariff Section* maintains files of utility tariffs, which contain the rates, rules and regulations under which the companies operate. When a company wishes to change its tariffs, it must file the proposed changes with the Commission on not less than 30 days' notice. This section reviews the proposed tariffs and makes recommendations to the Commission as to whether the changes should be suspended or permitted to go into effect.

If hearings are held and the Commission rules that the proposed changes are unreasonable, the company must file tariffs in compliance with the Commission's order. These tariffs are examined for compliance by the Tariff Section, and if they are acceptable they are submitted to the Commission for final approval.

The Tariff Section also monitors the Purchased Gas Adjustment clause (PGA), which is used by gas companies to modify their rates as the price of natural gas changes. The PGA is discussed on page 2.

During the fiscal year, the Tariff Section processed 626 new tariff filings, compared to 648 last year.

The *Rate and Special Projects Section* concentrates on utility rate design, which is the process of setting prices for the various types of service and levels of consumption in an equitable manner to produce the revenues needed by the company. Because the rates influence customer demands for service, rate design is an important factor in the effort to achieve more efficient use of utility capacity.

The Commission and several utility companies are performing cost studies as a basis for possible revisions in rate structures. The Commission is also examining such approaches as peak-load pricing for electric utilities as a method of obtaining better use of existing generating equipment.

The Rate and Special Projects Section is involved in that work, as well as assisting other staff sections in utility rate cases. It furnishes information on the proposed changes in rates, and its members testify in rate cases on matters dealing with rate design. If a change in rates is authorized by the Commission, this section examines the new tariffs filed by the company to ascertain the revenue impact of the new rates. In this fiscal year, the section participated in 77 cases involving

rate increases or rate restructuring, compared to 102 in the year before.

The Fuel Adjustment Clause (FAC), which electric utilities use to modify their rates as changes in the price of fuel occur, is monitored by the Rate and Special Projects Section. The FAC is discussed on page 2. This section also processes refund procedures resulting from Federal Power Commission action on wholesale rates, and reviews Federal Power Commission and Federal Communications Commission filings that may affect Missouri customers through changes in interstate rates, rules or regulations.

The Safety and Compliance Department monitors the operations of gas utilities and railroads to make sure they follow Commission safety rules and regulations. This department also is engaged in surveys of the physical assets of utilities.

The *Gas Safety Section* conducts routine inspections of the gas distribution companies in the state and makes investigations of gas-related accidents that result in a fatality, an injury or property damage of \$1,000 or more. Upon completion of the investigation, a report is submitted to the Commission on the circumstances of the incident along with recommendations the staff may have for prevention of similar accidents.

During the 1975-76 fiscal year, there were four major accidents, all of which were investigated by the staff, compared with eight in the previous year.

As part of its routine inspections, the staff tries to examine at least twice annually the operational records of each utility, which are maintained in 52 locations around the state. In connection with these examinations, the staff inspects utility gas facilities in various communities. Any discrepancies found are reported to the utilities. If corrections are not readily made, the matter is referred to the Commission and its legal staff for enforcement action.

The staff also checks utility corrosion controls for prevention of leaks and their use of additives to give gas a distinctive odor for better detection of leaks. Natural gas in its pure form has no odor. The staff reviewed corrosion leak history maps of the utilities and conferred with the utilities to recommend improvements in their control programs. In checking odorization, the staff reviewed utility records and made field tests in more than 200 communities.

The Commission supported legislation in 1976 designed to eliminate accidental damage to underground facilities by excavation, which is the primary cause of gas pipeline failure. The bill was passed by the General Assembly and became law later in the year.

The *Railroad Safety Section* has initiated a program for inspection of all public grade crossings in the state to determine whether railroads have adhered to safety standards. In those cases in which the staff believes a crossing is unsafe, or upon complaint from the public, the Commission may conduct a hearing to take evidence on the question. It may then order additional protection, apportioning the cost between the railroad and the city or county in which the crossing is located. In those instances where no local funds are available, and there are no federal or other state funds for the purpose, the Commission may reimburse the city or county from the State Grade Crossing Fund. The fund may be used to pay up to 90 percent of the cost of the installation. A tax on railroad rolling stock supports the crossing fund.

This section investigates all serious rail accidents, which must be reported to the Commission immediately by the railroad involved. Each year, the section publishes a report on grade crossing accidents, which is submitted to the Commission and the legislature.

The Missouri Commission was the first state regulatory agency in the United States that was accepted for participation in the Federal Railroad Safety Administration program for improving the regulation of railroad track safety. As a participator, the Commission is responsible for enforcing

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the FRA track safety standards in Missouri and in return receives federal funds. Because of excessively stringent FRA standards for personnel engaged in the program, the Commission has been able to hire only one of the three track inspectors needed. A proposal is now being considered by the FRA that is expected to resolve this problem.

The Railroad Safety Section plans in the next year to increase the frequency of inspections at railroad terminal facilities of such areas as yards, shelters, sanitation and rolling stock.

Statistics of the section's work are shown below:

|                                  | <u>1974-75</u> | <u>1975-76</u> |
|----------------------------------|----------------|----------------|
| Grade Crossing Inspections       | 707            | 2442           |
| Crossing Accident Investigations | 212            | 239            |
| Yard and Building Inspections    | 163            | 158            |
| Railroad Equipment Inspections   | 27             | 17             |
| Industrial Track Inspections     | 306            | 147            |
| FRA Inspections                  | 97             | 115            |

The *Original Cost and Continuing Property Records Section* conducts studies to determine the original cost of the assets of utilities. These studies are used by the Commission in determining the rate base of a utility, which is the amount of investment on which the company is permitted to earn a reasonable return. Original cost studies are performed almost entirely in the field and involve examination of company records, the checking of inventories and identification of the many things that are included in the company's plant. When undertaken on a large company, the studies require years to complete.

The completed study is submitted to the Commission, which then holds a hearing to take evidence from the staff and the company before it issues an order establishing the original cost. This figure is then used in future cases as the starting point from which the company's rate base is computed.

The property records of utilities are examined by the staff of this section to ascertain whether they are maintained in accordance with Commission requirements. These records are used in determining changes in original cost as a utility's assets are retired or acquired.

During the year of this report, the section completed six utility appraisals, while in the previous year it completed five.

The Electronic Data Processing Section substantially improved its capabilities during the fiscal year with the installation of equipment permitting remote access to the computer of the Division of Employment Security.

The acquisition of the equipment and the integration of the Commission EDP Section into the Office of Administration computer program gives the Commission access to one of the most advanced computers. The result is a net reduction in the amount of computer time used and an increase in the amount of work performed.

By employing data base concepts, the EDP staff consolidated many of its computer applications into a single system. This reduced the number of applications needed while increasing the capacity and flexibility of the overall computer project.

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|                                  | <u>1974-75</u> | <u>1975-76</u> |
|----------------------------------|----------------|----------------|
| Computer applications maintained | 27             | 23             |
| Computer programs maintained     | 83             | 119            |
| Computer hours used              | 360            | 204            |
| Analyses of systems              | 8              | 13             |
| Programs written                 | 17             | 47             |

The Management Services Section was formed in September, 1975, for the purpose of analyzing the managerial effectiveness of the companies regulated by the Commission. The analysis includes a comprehensive review of the various management systems employed by the companies, as well as a thorough examination of the ability of such systems to meet the needs of management in future years.

The analysis of management activities is commonly referred to as the Management Review. The Missouri Commission ordered three such reviews in 1975. The first order required Union Electric Company to undergo an examination of its power plant construction management activities. A nationally recognized firm, Arthur Young & Company, completed the study in April, 1976. A second order required Missouri Public Service Company to also undergo a review of management activities. This particular study was of a broader scope and included all facets of Missouri Public Service Company's operations. Arthur D. Little, a management consulting firm headquartered in Cambridge, Massachusetts, performed the work for the Commission and company in accordance with a three-party agreement. The final report was issued by Arthur D. Little during June, 1976.

A third study was ordered in 1975. This study required Continental Telephone of Missouri to undergo a comprehensive review of its operations and management activities. T. Barry & Associates were selected to perform this study and a final report is expected during August, 1976.

In the 1975-76 fiscal year, the staff performed reviews of several Missouri companies as enumerated below:

|                           | <u>Type of Review</u> | <u>Completion Date</u> |
|---------------------------|-----------------------|------------------------|
| Sho-Me Power              | Budget                | 1/15/76                |
| Citizens Electric         | Budget                | 3/6/76                 |
| St. Joseph Light & Power  | Budget                | 3/10/76                |
| Kansas City Power & Light | Construction          | 4/30/76                |
| Missouri Utilities        | General               | 9/10/76                |

The Budget Review is a comprehensive review of the development, justification and utilization of the capital and operating budgets.

The Construction Review is a comprehensive review of the systems used to plan, schedule, budget, monitor and control the activities during a power plant construction project.

The General Review is a comprehensive review of the entire operations of a company with emphasis placed on the abilities of the management systems to meet future needs.

The 1976-77 plan includes a general review of one electric company, one gas company, one water company and one telephone company. In addition, the staff will be following up on recommendations made in the reviews mentioned above.



Economic Research Department

This department is primarily interested in the earnings of utility companies. The earnings are regulated by the Commission through adjustment of the rate of return allowed on the rate base. An important component of the rate of return is the return on common stock. The Economic Research Department keeps track of the returns of the various companies so that the Commission can know whether they are operating within the limit allowed. The major utilities report monthly to this department, supplying data that are used in compiling a computerized monthly surveillance report for use by the Commission.

In rate cases, this department prepares testimony and exhibits on return on rate base and common stock for use by the staff in presenting its case. Evidence of the same type is presented by the company and may be offered by other parties in the proceeding. It is from this evidence that the Commission determines a reasonable return for the company. In the 1975-76 fiscal year, the department presented testimony and exhibits in 18 rate cases.

The department is engaged in studies of utility cost of service and rate design that may lead to changes in the way charges for service are allocated among customers. Following completion of the studies, the Commission will hold hearings to give the staff, the companies and other interested parties an opportunity to submit evidence on the issues.

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### Administration Division/Secretary

This division provides management and general support services for the Commission and other staff sections.

The Office of the Secretary processes applications filed with the Commission, routes complaints and other correspondence to the appropriate departments, maintains the general files and prints the Commission orders. The Secretary of the Commission handles management, personnel matters, the budget, procurement, organization and establishment of policies.

Orders and regulations issued by the Commission are made official by the certification of the Secretary and the affixing of the seal. Copies of orders and other documents in each case are kept in numbered files that are open to the public. The file contains applications and motions, correspondence, orders and for those cases that are heard, copies of the transcript and exhibits. Recent cases are retained in original form, while older cases are on microfilm. Those interested in having copies of the documents may purchase them for a fee to cover reproduction costs.

Cases are assigned to members of the Commission by the Secretary, who also schedules hearings and maintains the docket, or hearing calendar. The majority of hearings are held in the Commission hearing room on the tenth floor of the Jefferson Building in Jefferson City. The remainder of the hearings, most of which are in rate cases, are held in other parts of the state so that customers can testify more conveniently.

|                | <u>1974-75</u> | <u>1975-76</u> |
|----------------|----------------|----------------|
| Cases Assigned |                |                |
| Utility        | n/a            | 356            |
| Transportation | n/a            | 238            |
| Orders Issued  | 7,500          | 6,800          |

The Public Information Office keeps consumers abreast of major cases before the Commission and other Commission activities. This is done primarily through news releases, which are issued at each step of a case to newspapers, radio and television stations in the area served by the company or companies involved. A total of 375 news releases were issued this year, while in the previous year 454 were issued.

The office responds to inquiries from reporters and others who need information about the Commission's work. This year, preparation was begun on a manual about the Commission that will provide a concise representation of its operations to the news media and general public. The Public Information Office publishes the annual report and assists the Commission and other sections with writing and editing reports and speeches.

The Internal Accounting Section takes care of the Commission's finances, and its duties include assembling the budget, processing expense accounts and bills for goods and services. It conducts semi-annual audits of the License Section and Mobile Homes and Recreational Vehicle Division to check their receipt of funds from the sale of Commission seals.

The assessment of utilities and railroad companies for funds from which a portion of the Commission's budget is appropriated by the General Assembly is performed by this section. The budget and the amount assessed are shown on page 7. This section also handles authority 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 record verbatim the proceedings before the Commission and prepare transcripts for inclusion in the case files. Copies of transcripts, which usually are completed within

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30 days of a hearing, may be purchased at a price of 25 cents per page.

Activities for the past two years include:

|                  | <u>1974-75</u> | <u>1975-76</u> |
|------------------|----------------|----------------|
| Hearings         | 329            | 340            |
| Hearing hours    | 1,123          | 1,142          |
| Transcript pages | 35,788         | 42,255         |

The License Section issues to bus and truck companies the license stickers that must be carried on each vehicle operating in Missouri. Receipts from these sticker sales make up a portion of the funds from which the Commission's budget is appropriated by the General Assembly. The budget and the receipts from these sales are shown on page 7.

Two types of licenses are sold: the annual, which costs \$25, and the three-day, which costs \$5. The three-day license is used by interstate carriers who operate in Missouri infrequently. Replacements for damaged stickers may be obtained for \$1.00. 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 three-day licenses may be purchased.

Sales of licenses are shown below:

|                   | <u>1974-75</u> | <u>1975-76</u> |
|-------------------|----------------|----------------|
| <u>Bus</u>        |                |                |
| Annual license    | 1,951          | 2,275          |
| Three-day license | 348            | 508            |
| <u>Truck</u>      |                |                |
| Annual license    | 51,950         | 52,004         |
| Three-day license | 31,742         | 43,471         |
| Replacements      | 42             | 17             |

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### Commission Counsel

The Commission Counsel represents the staff of the Commission in hearings before the Commission. This involves reviewing the evidence assembled by the staff to determine the position to be taken on the issues, presenting witnesses, cross-examining the witnesses of other parties, preparing briefs and participating in oral argument.

The Counsel is legal adviser 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 Counsel's staff for legal sufficiency. This department participates in the drafting of proposed rules and regulations and in establishing procedures for dealing with the regulated companies.

When a company is found by the Commission to have violated its rules and regulations or statutes governing transportation and utility companies, the Commission Counsel sues in court for penalties against the violator.

The workload of the office is shown below:

|               | <u>1974-75</u> | <u>1975-76</u> |
|---------------|----------------|----------------|
| Hearings      | 329            | 331            |
| Court cases   | 88             | 94             |
| New appeals   | 20             | 37             |
| Penalty cases | 5              | 0              |

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### Transportation Division

The Transportation Division is involved in the regulation of rates, safety of operation and service of bus and truck companies, and construction standards of mobile homes and recreational vehicles. It is responsible for monitoring the rates and service of railroad companies, while railroad safety is assigned to the Safety and Compliance Department of the Utility Division.

The Operations Department has four sections, which concentrate on rates, operating rights, insurance and auditing. The *Rates Section* reviews proposed tariffs and schedules filed by companies and then recommends whether the Commission should adopt them, reject them or hold hearings before making a decision.

Carriers who wish to change their rates must submit their proposed tariffs at least 30 days prior to the requested effective date in order to allow sufficient time for review by the staff. Proposed schedule changes must be filed at least 15 days prior to the effective date desired by the carrier. In some circumstances, but only with the approval of the Commission, the notice requirement can be waived.

If the Commission believes more information is needed on the proposed rate or schedule change, or if objections to the proposal are filed by opponents of the request, the tariffs can be suspended. Hearings are held to give all parties a chance to submit evidence on which the Commission bases its final decision.

Rate compliance audits have been initiated by this section to detect rate errors or violations of tariff rules. A total of 26 audits made during the year indicated the following types of violations, which were subsequently corrected by the carriers.

|                        |    |
|------------------------|----|
| C. O. D. shipments     | 58 |
| Loss and damage claims | 15 |
| Tariffs                | 42 |
| Rate errors            | 57 |

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

|                                       | <u>1974-75</u> | <u>1975-76</u> |
|---------------------------------------|----------------|----------------|
| Railroad tariffs received and filed   | 4,170          | 3,457          |
| Truck tariffs received and filed      | 4,211          | 3,131          |
| Bus tariffs received and filed        | 124            | 102            |
| Bus time schedules received and filed | 62             | 53             |
| Powers of attorney                    | n/a            | 90             |
| Letters of authority                  | n/a            | 56             |
| Special permissions                   | n/a            | 96             |
| Service complaints handled            | n/a            | 42             |
| Telephone inquiries                   | n/a            | 1,383          |

The *Operating Rights Section* deals with the authority the carriers have as to the type of cargo they may carry and the geographic area in which they may operate. A carrier may have authority to haul only scrap iron between Kansas City and Springfield, while another may have authority to carry any general cargo to any point in the state. A carrier's authority is determined on the basis of the need for the service and the ability of the carrier to provide service.

The authority of each carrier operating within Missouri is maintained in the files of this section. If a carrier wishes to obtain authority or modify its authority, it must submit an application

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with the Commission. The Operating Rights Section reviews the application and notifies other carriers of it. A hearing is held by the Commission to take testimony from the applicant, any opponents or supporters, and the Operating Rights staff. The application is granted or denied on the basis of the evidence received at the hearing.

Carriers that operate between states are regulated by the Federal Interstate Commerce Commission in Washington, D. C. If they wish to travel through Missouri, however, they must obtain a permit from the Public Service Commission. An interstate carrier who wants to make hauls wholly within Missouri must obtain intrastate authority from the Public Service Commission.

Private carriers who do not operate for hire are exempt from Public Service Commission regulation.

The activities of the section are shown below:

|   | <u>1974-75</u> | <u>1975-76</u> |
|---|----------------|----------------|
| Additional intrastate authority granted   | 62             | 124            |
| Additional intrastate authority requested | 110            | 151            |
| Grants of temporary authority             | 98             | 107            |
| Denials of temporary authority            | n/a            | 21             |
| Transfers of intrastate authority         | 225            | 164            |
| Intrastate authority revoked              | 39             | 9              |
| Interstate permits issued                 | 1,345          | 1,769          |
| Interstate permits revoked                | 523            | 789            |
| Interstate permits transferred            | n/a            | 64             |

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

Carriers conducting hauls between states are regulated by the Federal Interstate Commerce Commission in Washington, D. C. but must file proof of liability insurance with the Public Service Commission before they are allowed to operate through Missouri.

In the event a carrier permits his insurance to lapse, a notice is sent to the carrier and the Insurance Section by the insurance company. While the insurance is not in effect, the carrier's authority is suspended until the insurance is renewed. The carrier may be required to show cause why his authority should not be revoked if the insurance is not renewed within a reasonable period of time (usually, about six months).

The work of the section is shown below:

|  | <u>1974-75</u> | <u>1975-76</u> |
|--|----------------|----------------|
| New certificates received and filed    | 9,681          | 11,449         |
| Cancellation notices received          | 5,284          | 6,357          |
| Carriers suspended due to cancellation | 2,112          | 2,823          |
| Carriers reinstated upon renewal       | 1,153          | 1,619          |

The *Audits Section* performs audits of the regulated carriers when they file rate cases or in connection with other investigations. It also reviews the annual reports of operations that each carrier operating within the state must file. Some carriers are required to file quarterly reports for examination by this section.

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Bus and truck rate cases are usually filed by a group of carriers because all of the companies must charge the same rate for the same type of service. In these cases, a number of carriers is selected as a representative sample and those carriers are audited by this section. If it believes the sample submitted by the carriers is inappropriate, it may use a different set of carriers. The results of the audit are presented along with other evidence at the Commission hearing on the application.

Additional work is performed by this section in the area of financial and statistical analyses of carriers that are used by the Commission and staff to monitor the performance of companies. This section also reviews carriers' finances in regard to transfers of authority.

The scope of the section's work is shown below:

|                           | <u>1974-75</u> | <u>1975-76</u> |
|---------------------------|----------------|----------------|
| Quarterly reports audited | 596            | 576            |
| Annual reports audited    | 1,366          | 1,418          |
| Report correspondence     | 942            | 847            |
| Rate case analyses        | 9              | 3              |
| Transfer reviews          | 241            | 111            |

The Enforcement Department, through routine inspection and investigations resulting from complaints, determines whether bus and truck companies are in compliance with Commission regulations and state transportation laws. The investigator's work is often performed in conjunction with personnel of the State Highway Patrol and other law enforcement agencies.

Those who are found in violation of regulations or transportation laws may be prosecuted by local authorities, or the case may be presented to the Commission for hearing. Should the Commission decide that a carrier is guilty of violations, it may direct the Commission Counsel to sue for penalties in the courts.

Typical violations are failure to comply with safety regulations, operating beyond the scope of authority granted 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:

|   | <u>1974-75</u> | <u>1975-76</u> |
|---|----------------|----------------|
| Carriers contacted  | 614            | 3,538          |
| Vehicles inspected  | 7,118          | 11,500         |
| Investigations conducted  | 531            | 1,584          |
| Arrests by law enforcement<br>authorities as a result<br>of investigator's work | 457            | 376            |
| Bus stations inspected  | n/a            | 107            |
| Transferees investigated  | n/a            | 24             |
| Compliance surveys  | n/a            | 139            |
| Informal complaints   | n/a            | 303            |
| Cases completed   | n/a            | 89             |
| Settlements   | n/a            | 26             |
| Settlements and fines received  | n/a            | \$11,800       |
| Warnings sent on delinquent accident reports                                    | n/a            | 203            |

The Mobile Home and Recreation Vehicle Division sets and enforces construction standards for manufacturers and dealers of that equipment. During this fiscal year, the division completed a

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comprehensive revision of regulations governing the industry. These changes are discussed on page 16. Two manufacturers were ordered to cease operations during the fiscal year for failure to qualify under the standards.

Legislation was approved by the General Assembly in 1976 that allowed the Commission to contract with the Federal Department of Housing and Urban Development in order to act as agent in Missouri for 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.

Other legislation passed in 1976 requires registration of manufacturers and dealers who transact business in Missouri, and transferred from the State Health Department to the Commission the responsibility for mobile home tie-downs.

The division investigates complaints concerning construction or performance, and in the case of mobile homes, emplacement. Before units can be sold, they must bear stickers that indicate compliance with Commission regulations.

The number of stickers sold, along with other work statistics, are shown below. Receipts from sticker sales are shown on page 7.

|                          | <u>1974-75</u> | <u>1975-76</u> |
|--------------------------|----------------|----------------|
| Complaints investigated  | 340            | 260            |
| Units inspected          | 22,145         | 19,444         |
| Dealer inspections       | 2,170          | 1,920          |
| Manufacturer inspections | 36             | 44             |
| Vehicle stickers sold    | 10,556         | 19,444         |