



**THE ANNUAL REPORT
OF THE
MISSOURI
PUBLIC SERVICE COMMISSION
1982-83**



Missouri Public Service Commission

Area Code 314
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P.O. BOX 360
JEFFERSON CITY
MISSOURI 65102

January 9, 1984

Commissioners:

JOHN C. SHAPLEIGH

Chairman

CHARLOTTE MUSGRAVE

ALLAN G. MUELLER

CONNIE B. HENDREN

ROBERT J. SCRIBNER

Staff Director

HARVEY G. HUBBS

Secretary

KENT M. RAGSDALE

General Counsel

TO: The Honorable Christopher S. Bond
Governor of the State of Missouri
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 of July 1, 1982 through June 30, 1983.

Respectfully submitted,

John C. Shapleigh
Chairman

INTRODUCTION

The Missouri Public Service Commission has the responsibility for ensuring that consumers receive adequate amounts of safely delivered and reasonably priced utility and transportation services at rates that also will provide the companies' shareholders the opportunity to earn a reasonable return on their investments.

The Commission regulates utility and transportation rates, service and safety. The investor-owned electric, gas, telephone, telegraph, mobile telephone, sewer, water, bus, truck and railroad companies are under the Commission's jurisdiction. The Commission also monitors the construction of mobile and modular homes and recreational vehicles.

Although rates charged by electric cooperatives are determined by their governing boards, the Commission has jurisdiction over matters concerning safety. Utility and transportation services provided by city and state governments are exempt from Commission regulation.

The Commission is both quasi-judicial and quasi-legislative. It decides cases based on testimony presented in a courtroom proceeding and also makes the rules by which the companies must operate.

The rate increase cases handled by the Commission are without a doubt those that are the most important to consumers. The number of requests for increases made by the state's utilities in the last few years has prompted questions from many persons about how the process works.

The process begins when a utility files with the Commission new tariffs for authority to increase its rates. The Commission, then, except in unusual or emergency situations, sets a schedule for hearing the case. It has 11 months from the date the proposal is submitted to reach a decision.

Prior to the hearing being held, the Commission's staff conducts an independent on-site investigation into the company's records to provide the Commission with a recommendation as to what amount of the proposed increase, if any, should be allowed. This investigation can take weeks or months. Other parties, such as the Office of the Public Counsel, which represents consumers before the Commission, consumer groups, industries and cities also are given an opportunity to present evidence on the proposed increase and take part in the proceedings.

Once the participants in the case file their prepared evidence, a prehearing conference is held. The parties in the case meet at the prehearing conference to determine which issues are contested and on which ones they agree.

Sometimes during a prehearing conference, the company, Commission's staff and other parties will come to an agreement on the amount of increase that should be allowed. That agreement, a stipulated settlement, is then presented to the Commission for a decision.

Prior to the actual hearing, the Commission also many times holds local hearings in the company's service area to give the customers an opportunity to express their views on the proposed increase and also bring any service-related problems they might have had to the Commission's attention.

At the formal evidentiary hearing, the participants in the case present evidence to the Commission regarding their various recommendations and cross-examine the other parties' witnesses.

Once the hearing is completed, the Commission deliberates and then issues a decision. That decision is subject to appeal to the courts by any of the participants with the exception of the Commission's staff.

Structure

The MoPSC is organized into five functional divisions; Executive, Office of the Secretary, General Counsel, Utilities and Transportation, plus one support

division, Electronic Data Processing which is organizationally located within the Department of Consumer Affairs, Regulation and Licensing - Management Information System Unit.

A. Executive Division

This division is made up of the Commissioners, their secretaries, the Staff Director and secretary, and the Hearing Examiners and their secretaries.

1. Commissioners - The Commission is comprised of five commissioners who 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 one year. The Chairman of the Commission is designated by the Governor. Traditionally, no more than three members of the Commission are from the same political party as the Governor. The Commissioners function as the appointing authority for the organization and therefore are ultimately accountable for the hiring and firing of employees plus the management of the Commission.

2. Staff Director - This position serves at the pleasure of the Commission and is the chief administrative person at the Commission. The Staff Director is delegated line authority to be exercised over the various Commission decisions in accordance with policies and guidelines established by the Commission and the statutes of the State of Missouri. Some general duties and responsibilities are:

- a. Provides efficient direction and coordination over all divisions of the Commission through an ongoing review of the operation and the use of sound management practices.
- b. Works closely with the Commission, the Division Directors and other members of the Staff to assure cooperation throughout the Commission.

- c. Furnishes the Commission with information and overall assistance, either directly or through delegation, relative to issues, policies, procedures and/or other matters affecting the Commission.
- d. Ensures consistent and uniform applications by divisions of the various rules, regulations, procedures and policies adopted or approved by the Commission.

John C. Shapleigh

John C. Shapleigh, 34, of St. Louis, was appointed Chairman of the Missouri Public Service Commission by Governor Christopher S. Bond on February 10, 1983. He joined the Commission on February 17, 1981 after being confirmed by the Missouri Senate. His term extends until April 15, 1985. Prior to joining the Commission, Shapleigh was an attorney with the St. Louis law firm of Lewis and Rice, counsel to the Governor of Missouri, and a law clerk for the Consumer Protection division of the Missouri Attorney General's Office. He graduated with senior year honors from Dartmouth College in 1972 and received his law degree from the Washington University School of Law in 1976, where he was an editor for the Washington University Law Quarterly. While practicing law in St. Louis, he also taught at the Washington University School of Law as an Instructor in Law.

Shapleigh has served in many positions with the Metropolitan Bar Association of St. Louis, Missouri Bar, American Bar Association and International Bar Association. He has received the President's Award of the Missouri Bar and the Distinguished Service Award of the Young Lawyers Section of the Missouri Bar. At the request of the Missouri Supreme Court, he has served as Special Representative for the 22nd Judicial Circuit (St. Louis) Bar Committee, to handle cases involving allegations of attorney misconduct. He has served on the Board of Directors of the Missouri Lawyers Credit Union and the Council of the Missouri Bar Young Lawyers Section, and Prosecuting Attorney of Webster Groves, Missouri. He has served as Chairman of the State Administrative Law Committee of the ABA Section of Administrative Law, as Reporter to the Select Committee of the Missouri Bar studying the proposed new rules of attorney professional conduct, and has served on the Committee on Administration and the Committee on Electricity of the National Association of Regulatory Utility

Commissioners (NARUC). He also served as the chairman of the Ninth Annual Rate Symposium in Kansas City that is sponsored by the University of Missouri-Columbia, American University, and the Missouri Public Service Commission.

Larry Wayne Dority

When Larry Dority was unanimously confirmed by the State Senate in the spring of 1979, the 27-year-old Springfield Republican became the youngest person ever to serve on the Missouri Public Service Commission.

Dority received a B.A. degree, cum laude, in 1973 from Drury College, graduating with departmental distinction in Business Administration and Economics.

Dority received his law degree from the University of Missouri-Columbia School of Law in December 1975 and was a member of the Springfield law firm of Bussell, Hough and O'Neal prior to joining the Commission.

A member of the National Association of Regulatory Utility Commissioners, Dority served on NARUC's Committee on Communications.

Dority is a Republican. His term expires on April 15, 1985. Commissioner Dority resigned from the Public Service Commission effective October 1, 1983.

Charles J. Fraas

Charles J. Fraas, Jr., was appointed the Chairman of the Public Service Commission on January 22, 1981 by Governor Christopher S. Bond. Appointed to the Commission on November 22, 1977, Fraas previously served as Chairman during 1978 and 1979.

Immediately prior to joining the Commission, Fraas was Associate County Counselor for Jackson County (Kansas City).

For more than five years, Fraas served as Chief Warrant Officer for the Jackson County Prosecuting Attorney's Office, where he was responsible for initiating all criminal prosecutions within the county. He conducted the proceedings before the continuing Grand Jury, as well as other trial duties.

Fraas also practiced as corporate counsel for a firm in the data processing industry and has taught legal subjects at the undergraduate level. He was a law clerk to a United States Appellate Judge immediately upon graduation from law school and engaged in private practice prior to becoming an assistant prosecuting attorney.

Fraas received a bachelor's degree in history from Rockhurst College in 1958 and a juris doctor degree from the University of Missouri - Kansas City Law School in 1964.

A member of the Missouri Bar Association and the National Association of Regulatory Utility Commissioners (NARUC), Fraas also served as a member of NARUC's Executive Committee, the Ad Hoc Committee on Liaison with the Office of Management and Budget and was Chairman of the Committee on Engineering. He also served on the Ad Hoc Committee on the National Energy Act.

Fraas is a Democrat. His term expired on May 7, 1983. He left the Public Service Commission on July 11, 1983.

Leah Brock McCartney

Leah Brock McCartney became the first black to serve on the Public Service Commission when her nomination was confirmed in 1977. This is only one of the many milestones she has achieved in her legal career.

That career began with a major achievement when she became the first black woman to graduate from the George Washington University Law School in Washington, D.C., with a juris doctor degree. Even while working full-time, she managed to graduate in three years with the highest grade point average in her third-year class.

Mrs. McCartney also was the first woman municipal judge of record in Missouri. A resolution from the Missouri Senate commends her for being the first woman to sit on the bench, either by election or appointment.

Of all her achievements, however, Mrs. McCartney is most proud of an award from the residents of Kinloch thanking her for the steps she took to improve their community while municipal judge. While serving as municipal judge in Kinloch, Mrs. McCartney commuted between St. Louis and Tulsa, Oklahoma, where she taught law at the University of Tulsa.

Mrs. McCartney also served as a tax attorney with the Internal Revenue Service and as an attorney-advisor for the Treasury Department.

Before moving to Jefferson City, she was a Director of the Legal Aid Society of St. Louis, a trustee of the University City Public Library and a member of several boards and agencies of the United Methodist Church.

In addition to graduating from George Washington Law School, Mrs. McCartney received an education degree from Lincoln University in Jefferson City.

Mrs. McCartney is a Democrat. Her term expired May 22, 1983. She left the PSC on that date.

Charlotte Musgrave

On October 7, 1981, Charlotte Musgrave was appointed to the Commission by Governor Christopher S. Bond. Mrs. Musgrave is a Republican from Kansas City who served on the Jackson County Legislature from 1978 until her appointment to the Public Service Commission in 1981.

Her community service especially to the Westport area has been recognized by awards from Westport Tomorrow, Penn Valley Community College and The Sheperd Center.

She has served on the Truman Medical Center board of directors, George Washington Carver Neighborhood Center and Jackson County Economic Development Commission.

Mrs. Musgrave has an A.A. degree from Christian College in Columbia, Missouri and a B.S. degree in education from the University of Missouri in Columbia.

Her term will expire on April 15, 1987.

Allan G. Mueller

Allan G. Mueller joined the Missouri Public Service Commission on July 11, 1983 following his appointment by Governor Christopher Bond. Mueller is a Democrat from the City of St. Louis and previously served in the Missouri Senate from 1977 to 1982, and served in the Missouri House of Representatives from 1971 to 1977. While in the Legislature Mueller served on the National Council of State Legislators Energy Committee. Prior to being elected to the Legislature, Mueller served three years in the U.S. Marine Corps as a combat engineering officer, attaining the rank of Captain. His tour of duty included thirteen months in Vietnam.

Allan Mueller graduated from St. Mary's University in San Antonio, Texas in 1965 with a bachelor's degree in business administration and has been a licensed real estate broker in the State of Missouri and Illinois since 1970. He is married and has three children. Mueller's term will expire on April 15, 1989.

Connie B. Hendren

Connie B. Hendren, a Certified Public Accountant, joined the Missouri Public Service Commission on July 11, 1983, following her appointment by Governor Christopher S. Bond and was confirmed by the Missouri Senate on October 21, 1983.

Prior to joining the Commission, she was tax manager for the certified public accounting firm of Williams Keepers. She was with the accounting firm's Columbia office.

She graduated from the University of Missouri-Columbia in May 1976, with a B.S. degree in business administration with a major in accounting.

She is currently a licensed CPA in the State of Missouri and is serving as secretary to the Central Chapter of the Missouri Society of CPAs.

She is the mother of three sons. Her youngest son, Luke Robert, was born on September 2, 1983.

She is a Democrat. Her term expires on April 15, 1989.

James M. Fischer

James M. Fischer is the newest Commissioner at the Missouri Public Service Commission. Mr. Fischer received the oath of office during ceremonies on January 3, 1984.

Prior to his appointment to the Public Service Commission by Governor Bond, Fischer served as Public Counsel of the State of Missouri. He had occupied that position since September 1981 and had been with the Office of Public Counsel and the Department of Consumer Affairs, Regulation and Licensing since June of 1976.

James Fischer is currently serving on the Governor's Special Task Force on Natural Gas and Related Problems.

Mr. Fischer received his elementary and secondary education in Raytown, Missouri. In 1972, he graduated from the University of Kansas, majoring in economics and political science. He received his law degree from the University of Kansas in 1976, where he was an associate editor of the Law Review. He is a member of the Missouri Bar and the Cole County Bar Association.

Commissioner Fischer and his wife, Hannelore, have two sons: Michael, age three; and Jeremy, who is seven months old. The Fischers make their home in Jefferson City, Missouri.

Fischer's appointment still must be confirmed by the Missouri State Senate.

UTILITIES

The work done by the staff of the Public Service Commission deals with the regulated electric, gas, telephone, water and sewer companies. The activities of the various groups that work with the regulated utilities are coordinated by the deputy director of the Utilities Division.

TELECOMMUNICATIONS

During the 70 years the Missouri Public Service Commission has been in existence, many of the original telephone companies have been consolidated, or merged into five major companies: Southwestern Bell Telephone Company, United Telephone Company, Continental Telephone Company, General Telephone Company, and Central Telephone Company. These five companies provide service to approximately 90 percent of the mainstations in the State of Missouri while the other ten percent are maintained by 43 telephone companies. Missouri's 48 telephone companies serve over 2 million customers.

Many of the original telephone companies were individual city systems serving only the confines of the city or community. In many instances, there was another telephone company serving the rural area adjacent to the community. In some instances, more than one telephone company served the same area.

Much of the activity of the Missouri PSC has been overseeing the establishment of distinct service areas for furnishing telephone service. In other words, monopolistic telephone service. This is desirable to eliminate the necessity, in some instances, of Missouri subscribers having to obtain service from more than one telephone company to obtain connection to other subscribers in the vicinity.

On January 1, 1984 the telecommunications industry changed drastically as mandated by the federal courts. This action divests AT&T of providing local telephone service leaving AT&T with long line communications, Bell Labs, and Western Electric; and free to enter into the highly competitive technological industry without the shackles of regulation.

THE AT&T DIVESTITURE PROCESS-BACKGROUND

On November 20, 1974, the Department of Justice (DOJ) filed the largest antitrust suit in history against the American Telephone and Telegraph Company (AT&T). DOJ alleged that AT&T and its subsidiaries (Western Electric, Bell Labs, and the Bell Operating Companies (BOC's)) . . . "have been engaged in an unlawful combination and conspiracy to monopolize . . . interstate trade and commerce in telecommunications services . . . and telecommunications equipment." To resolve this alleged problem, the government asked for the divestiture of portions of the Bell system to "ensure competition (and in the provision of) telecommunications service."

To summarize a very long and costly process, the trial began on January 15, 1981, and DOJ rested its case on July 1 of the same year. AT&T moved to dismiss, then began its defense on August 3 while awaiting a decision on its motion. Judge Harold Greene denied AT&T's motion to dismiss and AT&T was scheduled to conclude its defense by the end of January, 1982, with a final verdict expected by the end of July, 1982.

On January 8, 1982, DOJ and AT&T announced that they had negotiated a settlement requiring AT&T to divest itself of 22 local telephone operating companies, which was essentially the relief the government had sought in the case. In return, DOJ agreed to dismiss the seven-year-old suit and lift the 1956 antitrust Consent Decree, which had heretofore restricted AT&T's participation in the computer and information processing industry. This stipulated agreement proposed a modification to the Final Judgement in Civil Action No. 17-49 entered by the Court on January 24, 1956, and has subsequently been referred to as the Modification of Final Judgement (MFJ). The agreement basically vacated the Final Judgement in its entirety and replaced it with a new organizational structure and a set of operating rules for AT&T and its affiliates.

Although the breakup of the world's largest corporation is undoubtedly a landmark in antitrust litigation, closely paralleling the breakup of Standard Oil in 1911, the importance to Missouri customers of the AT&T-DOJ settlement goes far beyond the antitrust implications. AT&T, through its subsidiary, Southwestern Bell Telephone Company which has offices located in St. Louis, Missouri, provides service to the major metropolitan areas in Missouri and numerous sparsely populated and rural type locations throughout the state. Although Southwestern Bell provides service to approximately 75% of Missouri's telephone customers, its service area covers only about 26% of the state. Forty-seven independent telephone companies provide service to the other 25% of the customers, over 51,000 square miles of area in Missouri. Southwestern Bell has also maintained the pool for all long distance communications provided for both intrastate and interstate calls made from and received by Missouri customers.

THE EFFECT ON BELL OPERATING COMPANIES

The Bell Operating Companies would be regrouped into seven independent regional holding companies after the breakup of AT&T. As it turns out, Southwestern Bell will remain one of the regional holding companies, virtually intact, serving Missouri, Kansas, Texas, Oklahoma and Arkansas. The BOC's will provide local exchange service and some other types of intraLATA services. The Local Access and Transport Areas (LATA) boundaries in Missouri basically are defined as the three (3) existing area codes (314/417/816).

The Bell Operating Companies will be prohibited from "providing interexchange toll services and embedded customer premises equipment."

After extensive discussion and petitions to the court, Bell Operating Companies were given the right to the yellow page advertising services originally designed to go to AT&T.

There will no longer be joint ownership of facilities between AT&T and its subsidiaries, but provisions may be made for sharing facilities on a leased basis.

THE EFFECT ON CUSTOMERS

The largest single group affected by the divestiture process will be Southwestern Bell's local exchange and long distance customers. Although arguments have been made that the divestiture itself will not necessarily cause local basic service rates to rise, it is generally recognized that there are substantial costs associated with the MFJ which must be recovered from the customers. It is also generally accepted that the trend is to reduce the costs on interstate and intrastate competitive services which will in turn transfer a greater amount of the revenue requirement to basic local services.

In the area of telecommunications, significant technological advances have taken place during the past few years. Many of these advances have promoted more efficient ways to provide telecommunications services; and the PSC expects these trends to continue. However, these advances have not been sufficient to offset the requirement for additional rate relief, as evidenced by the unprecedented number of telephone rate cases before the Commission. Therefore, it is not difficult to conclude that future rate requirements will be the order of the day. Some industry economists suggest a doubling, possibly, tripling effect, on local exchange service rates in the next three to five years.

The Public Service Commission's Telecommunications Department is responsible for the review, analysis and processing of all rates and practices implemented by Missouri telephone companies. When a telephone company submits a proposed change in either its rates or practices, it becomes a formal Commission case and the staff of the PSC prepares testimony detailing the effect on customers and the company for consideration by the Commission. Based on that evidence and the evidence presented by other parties, the Commission issues a Report and Order.

In addition to supplying rate information, the Telecommunications Department of the PSC also monitors quality of service and conducts field investigations stemming from complaints and other matters. The quality of service audits have improved significantly with the addition of new electronic test equipment, which measures service quality in outside plant facilities and in central offices facilities. The Telecommunications Department consists of 8 people who are assigned specifically to the area of telecommunications operations in Missouri.

Examples of the technological advances that have been exploding in the telecommunications field include computerized digital switching in central offices which now provide faster and clearer connections in many areas of the state; and computerized directory assistance which has the capability to find numbers from entire area-code regions more quickly.

Extended Area Service (EAS) or toll-free calling between exchanges, continues to be a service desired by many customers. To provide EAS, the company must install trunk lines between central offices and additional central office equipment. Most often, the expense of offering the service does not offset the amount saved by a small group of customers. The Commission has established specific rules for handling EAS requests. Commission consideration of the EAS request involves several phases including: a call survey traffic study, an engineering-cost study, and possibly a post card survey where the opinion of the customers in the involved exchange are polled to determine if the service at the identified costs are indeed the desire of the majority of the customers.

The Telecommunications Department continues to review rates for 20 radio common carriers providing two-way mobile telephone service and/or one-way paging service.

Two-way mobile telephone service is a radio-telephone system by which the customer can place and receive calls from a mobile unit in much the same way as the standard telephone service. The one-way paging service is a system which a subscriber can receive a call, generally a "beep" alerting the customer to call a specific telephone number. Some state-of-the-art units also print out the calling number or message to the called party.

Due to the recent Federal Communications Commission (FCC) rule changes which relax the entry of two-way and one-way radio common carrier operations, the PSC has pending before it applications from numerous companies for certificates of convenience and necessity to provide two-way mobile telephone service and/or one-way paging service in the State of Missouri.

Again, due to the technological advances in the telecommunications industry, this Commission has pending before it four applications for a certificate of public convenience and necessity to construct and operate a cellular mobile telephone service to the St. Louis and Kansas City metropolitan areas. Dockets have been set up for the investigation of these applications. Under the FCC's plan for the development of cellular radio, one of the two cellular systems in each city is set aside for the use of the local telephone company; and the other FCC license is allocated to a competitive company.

Cellular radio technology has the potential to revolutionize the mobile telephone business, because it can handle hundreds of thousands of simultaneous phone calls from cars or hand-held phones, compared with only a small number furnished by most systems now on the market. A geographic area is divided into "cells" which have their own transmitting station. When a number is dialed, a radio signal is sent out to the centralized computer in a mobile telecommunications switching office. The computer assigns a call to the radio channel, and as the call moves out of range of one transmitter and into a new cell, the call is handed off without interrupting the conversation.

WHAT'S AHEAD IN 1984

This next year will be very busy for the Communications Department and hence, the Missouri Commission. This is caused primarily by the changes that are occurring in the telecommunications industry through actions of the Federal courts and Federal agencies.

The most significant action in the Federal courts was the approval of the Modified Final Judgement (MFJ) by Federal Judge Harold Greene which settled the Justice Department's antitrust law suit against American Telephone and Telegraph Company (AT&T). One of the components of the MFJ was to divest AT&T of the 22 local Bell operating companies (in Missouri it is Southwestern Bell). This meant that two companies (Southwestern Bell and AT&T Communications) would now provide toll and local service in Missouri instead of just Southwestern Bell.

On the Federal regulatory level, the Federal Communications Commission (FCC) has continued to pursue its intention to deregulate telecommunications. This is supported by the FCC's action to deregulate the Bellsystem embedded customer premise equipment (the FCC has already deregulated new customer premise equipment) and the commitment to study further the goal of also deregulating independent telephone company embedded customer premise equipment. Another action of the FCC is the creation of a system where access charges will be applied when an interexchange carrier such as AT&T Communications or MCI desires to interconnect with the local telephone companies' local exchange area. Access charges principally apply to interexchange carriers but would also exist for individual customers if the FCC carries out its intention to mandate interstate end user charges.

The above paragraphs highlight a few of the more significant changes in telecommunications. An obvious result of these changes and others will be increased inquiries from customers to the Commission trying to understand the changes and how they affect the customer. There will also be more rate increase

requests from telephone utilities that have not made such requests for many years. The year 1984 will see further consolidation of telephone companies into larger companies. One incentive for consolidation may be the Commission's Order which requires all companies in Missouri to be on a "cost" settlement basis by year end 1984. Legislation may be enacted by Congress in 1984 that would delay or even repeal certain provisions of the FCC's access charge order.

The Missouri Commission in the years ahead, and 1984 is no exception, will be faced with the problem of where to recover a revenue deficiency for a utility when all the prior sources of revenue, e.g. customer premise equipment, service connection charges, are no longer regulated by the Commission or rates have been increased to recover full cost in past cases. The concept of residual rate making which avoided increasing local exchange rates except as a final source of revenue will be transformed into a strategy where local exchange rates may be the "only" source of revenue that can be increased to satisfy a telephone companies' revenue requirement. This leads to the very unpopular situation where customers will not be able to avoid rate increases by changing to lower priced services.

The concept of universality of telephone service has been described in recent time to mean that approximately 95% of households that wanted telephone service could afford it and therefore, had it. In the future, because of increases in local exchange rates, a new definition of universal service may appear which sets the percentage level lower than it is today.

COMPANY SIZE BY MAIN STATION

| <u>COMPANY</u> | <u>NUMBER OF MAIN STATIONS</u> |
|--|--------------------------------|
| 1. Southwestern Bell Telephone Company-St. Louis, MO | 1,471,185 |
| 2. United Telephone Company-Jefferson City, MO | 146,167 |
| 3. Continental Telephone Company-Wentzville, MO | 122,785 |
| 4. General Telephone Company of Missouri-Columbia, MO | 84,211 |
| 5. Central Telephone Company-Ft. Dodge, Iowa | 37,925 |
| 6. Allied Telephone Company-Little Rock, AR | 14,859 |
| 7. Missouri Telephone Company-Columbia, MO | 13,666 |
| 8. Grand River Mutual Telephone Corp.-Princeton, MO | 13,048 |
| 9. Doniphan Telephone Company-Doniphan, MO | 9,890 |
| 10. Fidelity Telephone Company-Sullivan, MO | 8,173 |
| 11. Chariton Valley Telephone Company-Bucklin, MO | 7,146 |
| 12. Webster County Telephone Company-Marshfield, MO | 4,047 |
| 13. Mark Twain Rural Telephone Company-Hurdland, MO | 3,869 |
| 14. Northeast Missouri Telephone Company-Green City, MO | 3,504 |
| 15. Citizens Telephone Company-Higginsville, MO | 3,471 |
| 16. Mid-Mo Telephone Company-Pilot Grove, MO | 3,160 |
| 17. Kingdom Telephone Company-Auxvasse, MO | 3,270 |
| 18. Green Hills Telephone Corp.-Breckenridge, MO | 2,987 |
| 19. Steelville Telephone Company-Steelville, MO | 2,924 |
| 20. Craw-Kan Telephone Company-Girard, KS | 1,868 |
| 21. Eastern Missouri Telephone Company-Bowling Green, MO | 2,345 |
| 22. Granby Telephone Company-Granby, MO | 2,013 |
| 23. Seneca Telephone Company-Seneca, MO | 1,829 |
| 24. McDonald County Telephone Company-Pineville, MO | 1,989 |
| 25. Carter County Telephone Company-Van Buren, MO | 1,669 |
| 26. Rock Port Telephone Company-Rock Port, MO | 1,529 |
| 27. Ellington Telephone Company-Ellington, MO | 1,409 |
| 28. KLM Telephone Company-Rich Hill, MO | 1,460 |
| 29. Bourbeuse Telephone Company-Sullivan, MO | 1,350 |
| 30. Goodman Telephone Company-Goodman, MO | 1,307 |
| 31. Iamo Telephone Company-Coin, IA | 1,180 |
| 32. Oregon Farmers Mutual Telephone Company-Oregon, MO | 983 |
| 33. Lathrop Telephone Company-Lathrop, MO | 959 |
| 34. Orchard Farm Telephone Company-St. Charles, MO | 940 |
| 35. Stoutland Telephone Company-Columbia, MO | 860 |
| 36. Le-Ru Telephone Company-Stella, MO | 835 |
| 37. Miller Telephone Company-Miller, MO | 851 |
| 38. New London Telephone Company-New London, MO | 673 |
| 39. Holway Telephone Company-Maitland, MO | 641 |
| 40. Mo-Kan Telephone Company-Columbia, MO | 496 |
| 41. Continental of Arkansas-St. Louis, MO | 443 |
| 42. Wheeling Telephone Company-Columbia, MO | 370 |
| 43. Choctaw Telephone Company-Halltown, MO | 371 |
| 44. New Florence Telephone Company-New Florence, MO | 346 |
| 45. Alma Telephone Company-Alma, MO | 336 |
| 46. Peace Valley Telephone Company-Peace Valley, MO | 281 |
| 47. Farber Telephone Company-Farber, MO | 291 |
| 48. Continental Telephone Company of Iowa-St. Louis, MO | 71 |
| TOTAL MAINS IN MISSOURI | 1,985,982 |

TELEPHONE

| <u>Date</u> | <u>Case No.</u> | <u>Company</u> | <u>Company</u> | | <u>%</u> | <u>PSC</u> | | <u>%</u> |
|-------------|-----------------|----------------------|------------------|----------------|----------|------------------|----------------|----------|
| | | | <u>Requested</u> | <u>Granted</u> | | <u>Requested</u> | <u>Granted</u> | |
| 7/1/82 | TR-82-103 | Goodman Tel. Co. | \$ 51,523 | \$ 33,697 | # | \$ 51,523 | \$ 33,697 | # |
| 8/28/82 | TR-82-105 | Western Union | 149,000 | 149,000 | # | 149,000 | 149,000 | # |
| 9/1/82 | TR-82-123 | Atlas Mobilfone | 12,000 | 6,100 | # | 6,100 | 6,100 | # |
| 9/1/82 | TR-82-150 | Withers Commun. | 8,368 | 8,368 | # | 8,368 | 8,368 | # |
| 1/14/83 | TR-82-199 | SWB Telephone Co. | 147,147,000 | 64,111,000 | # | 64,111,000 | 64,111,000 | # |
| 2/7/83 | TR-82-223 | Continental Telco | 9,000,000 | 5,385,640 | # | 5,385,640 | 5,385,640 | # |
| 4/1/83 | TR-83-273 | Grand River Mutual | 336,204 | 264,016(I) | # | 264,016(I) | 264,016(I) | # |
| 6/1/83 | TR-83-309 | Holway Telephone Co. | 78,586 | 55,490(I) | # | 55,490(I) | 55,490(I) | # |

(I) Interim rates subject to refund pending a final decision by the Commission.

The percentage increase depends upon the exchange.

ELECTRIC

The Public Service Commission is responsible for regulating the safety, service and rates of privately owned utilities within the state. Staff personnel specializing in all utility management disciplines, from forecasting future demand to the fine details of nuclear power plant construction, contribute in the effort to meet the public's need for electric power and to ensure adequate amounts of that power are safely delivered at a reasonable price.

In 1982, the state's 11 regulated electric utilities provided over 30 billion kilowatt-hours of electricity to their customers.

The Public Service Commission is currently involved with cases involving Union Electric Company. One case concerns the cost associated with the cancellation of the second unit of the Callaway nuclear power plant. The second case involves the merger of three of Union Electric's subsidiaries into Union Electric. The companies involved in the proposed merger are Missouri Power and Light, the Missouri Utilities Company, and Missouri Edison. Union Electric officials maintain the merger will mean a rate reduction for residential customers served by those three subsidiaries while the rates for municipal governments would go up as a result of the merger.

January 4, 1984 Addition

The Missouri Public Service Commission has determined that the costs associated with the cancellation of Union Electric's Callaway Two nuclear power plant may not be included in the company's cost of service. The Commission's decision, dated October 21, 1983, was based upon the position of the PSC's General Counsel that Proposition I bars recovery. Proposition I was passed by Missouri voters in 1976. In part, that law states, "the cost associated with owning, operating, maintaining, or financing any property before it becomes

fully operational and used for service, is unjust and unreasonable and is prohibited."

The Public Service Commission on December 15, reached a decision on the Union Electric merger case. The Commission approved the merger but rejected a majority of Union Electric's proposed massive increases for municipal governments. Those residential and commercial customers of Missouri Power and Light, Missouri Edison and Missouri Utilities Company will likely see a rate reduction as a result of the merger.

Meanwhile only those municipal customers going from the fixed municipal contract rate of their subsidiary company to the filed municipal service rate of that subsidiary will see any increase. Those municipal customers already on the subsidiary companies filed municipal service rate will not see an increase in rates as a result of the merger.

Throughout the case, Union Electric sought to bring a number of municipal service rates from the current rate charged by the subsidiaries to Union Electric municipal rates.

The Generating Facilities Department of the Public Service Commission is currently engaged in monitoring the construction activities associated with the Callaway and Wolf Creek nuclear power plants.

The Nuclear Regulatory Commission has jurisdiction over the safety aspects of these two plants. This Commission has the responsibility to see that the cost to Missouri is as low as possible, and that the plant is used and useful for Missouri customers.

The Research and Planning Department is responsible for cost of service studies and rate design cases. The results of these investigations are designed to have rates that properly cover the cost which that particular class of customer has imposed on the Company.

Updated cost of service studies and rate design dockets are typically presented in succeeding rate cases to reflect any changes in costs since the last rate case.

The Electric Rate Department monitors tariff filings and reviews any tariff filed as a result of a rate case order to ensure that those tariffs generate the revenue level allowed by the Commission. Technical complaints and jurisdictional allocations of plant are also handled by this department.

CALLAWAY/WOLF CREEK PROJECTS

Along with the federal court-ordered divestiture of the Bell Operating Companies from American Telephone and Telegraph Corporation, the approaching completion of the Callaway nuclear plant being constructed by Union Electric and the Wolf Creek nuclear plant, being constructed cooperatively by Kansas City Power and Light and Kansas Gas and Electric, are the major events driving the current PSC staff workload.

With respect to the nuclear construction projects, it is important to point out these projects are large and unique. They are the first nuclear plants to be built in Missouri or by Missouri companies and they are the largest units which will be installed in either company's system, both in megawatt capacity (1,150 MW) and in capital costs (\$2.5-\$3.0 billion).

In general, the objectives of the staff of the Missouri Public Service Commission, in the cases associated with these projects, are the same as they would be in any rate case in which newly constructed facilities are being considered, but because of the size of these nuclear projects, the task is magnified greatly. Briefly the objectives are to: (1) Complete the construction audits which were started approximately four years ago by the PSC staff. (2) Continue updating overrun data, that is the cost above the definitive estimate. The definitive estimate is the document which established between the contractor and the company, the estimated cost for construction of

the units. (3) Analyze, and support with data, the overruns which may have been avoided by the company and therefore should not be charged to the ratepayers.

(4) Develop, for rate case purposes, other non-rate base issues which are unique to a new generating facility coming on line and specifically those issues which are unique to a nuclear generating unit and therefore will be a first in Missouri.

To indicate the magnitude of these projects, the 1,150 megawatt unit known as Callaway I being constructed by Union Electric Company is expected to cost \$2.85 billion including allowance for funds used during construction (AFUDC) and approximately \$1.7 billion excluding AFUDC. The 1,150 megawatt unit designated as Wolf Creek is estimated to cost about \$2.5 billion including AFUDC and \$1.5 billion excluding AFUDC.

The Callaway Plant is expected to become operational either late in 1984 or early 1985. The Wolf Creek Plant is currently scheduled for operation in early 1985.

ELECTRIC RATE CASES DECIDED FROM JULY 1, 1982 THROUGH JUNE 30, 1983

| <u>DATE</u> | <u>CASE NO.</u> | <u>COMPANY</u> | <u>COMPANY</u> | | <u>%</u> | <u>PSC</u> | | <u>%</u> |
|-------------|-----------------|-------------------------------|------------------|----------------|---------------|----------------|----------|----------|
| | | | <u>REQUESTED</u> | <u>GRANTED</u> | | <u>GRANTED</u> | <u>%</u> | |
| 7/2/82 | ER-82-52 | Union Electric Co. | \$ 128,000,000 | 19% | \$ 65,205,000 | 9.2% | | |
| 7/14/82 | ER-82-66 | Kansas City Power & Light Co. | 62,300,000 | 19.9% | 14,413,000 | 4.6% | | |
| 8/26/82 | ER-83-20 | Sho-Me Power Corp. (Interim) | 1,778,768 | 3% | 1,778,768 | 3% | | |
| 10/1/82 | ER-82-198 | Missouri Edison Co. | 4,000,000 | 10.3% | 1,522,779 | 3.92% | | |
| 10/29/82 | ER-82-180 | Missouri Power & Light Co. | 11,000,000 | 12.4% | 5,594,613 | 6.3% | | |
| 11/23/82 | ER-82-246 | Missouri Utilities Co. | 4,343,155 | 9.123% | 519,510 | 1.09% | | |
| 12/22/82 | ER-83-80 | Sho-Me Power Corp. | 6,305,024 | 10.6% | 5,925,000 | 9.96% | | |
| 4/19/83 | ER-83-161 | Citizens Electric Corp. | 2,088,000 | 18.1% | 1,296,514 | 11.68% | | |
| 6/17/83 | ER-83-42 | Empire District Electric Co. | 7,400,000 | 9% | 1,653,998 | 2.07% | | |

NATURAL GAS

The Missouri Public Service Commission is responsible for regulating the safety, service and rates of 14 investor-owned gas utilities operating in the state. The PSC also has safety jurisdiction over 33 municipal gas systems serving the state.

The cost of purchased gas continues to increase. The primary cause of escalating price changes can be attributed to Title I of the Natural Gas Policy Act of 1978. Essentially this act provides for the phased de-control of prices of certain categories of gas.

The percentage amount of the increase is smaller now than it was between January of 1979 and November of 1982, but natural gas rate increases are still dramatic in nature.

Increases seen in the per unit cost of gas for the average customer in Missouri can be traced back to two sources: the Missouri Public Service Commission (PSC) and the Federal Energy Regulatory Commission (FERC). The FERC regulates the gas producers and pipelines which serve Missouri customers.

Increases in pricing can be traced to two factors to a large degree: increases granted by the FERC to pipeline producers as a result of the Natural Gas Policy Act of 1978 and general rate increases granted by FERC to pipeline producers reflected in the Purchase Gas Adjustment or PGA portion of the customer's bill.

Since the Natural Gas Policy Act of 1978 took effect in Missouri in January of 1979, gas customers in Missouri have seen their rates go up by approximately 127 percent. Approximately 112 percent of that amount was the result of increases granted to pipeline producers by FERC. Actions taken by the Missouri Public Service Commission since January of 1979 have resulted in general rate increases of approximately 14 percent.

Increases granted by FERC do not add to the profits of the local gas company.

The effects of the Natural Gas Policy Act of 1978 in Missouri are seen below:

Impact of natural gas policies on Missouri January 1979 - July 1983

| <u>Company Name</u> | <u>Mo PSC actions</u> | <u>F.E.R.C. actions</u> | <u>Total</u> | <u>Percentage increase</u> |
|------------------------------|-----------------------------|-------------------------------|----------------------|----------------------------|
| Associated Natural Gas Co. | \$ 3,420,566 (20.9%) | \$ 18,443,742 (112.9%) | \$ 21,864,308 | 133.8% |
| Bowling Green Gas Co. | 83,671 (16.1%) | 736,665 (142.1%) | 820,336 | 158.2% |
| Great River Gas Co. | 1,074,444 (21.0%) | 5,502,590 (107.7%) | 6,577,034 | 128.7% |
| The Gas Service Co. | 24,919,720 (12.5%) | 279,288,849 (140.8%) | 304,208,569 | 153.3% |
| Laclede Gas Co. | 48,324,680 (14.0%) | 314,901,717 (91.2%) | 363,226,397 | 105.2% |
| Missouri Edison Co. | 881,825 (25.6%) | 3,664,344 (106.4%) | 4,546,169 | 132.0% |
| Missouri Power & Light Co. | 2,978,839 (17.9%) | 21,819,184 (131.4%) | 24,798,023 | 149.3% |
| Missouri Public Service Co. | 2,513,812 (15.0%) | 27,762,079 (165.4%) | 30,275,891 | 180.4% |
| Missouri Utilities Co. | 4,109,210 (23.2%) | 24,084,973 (136.1%) | 28,194,183 | 159.3% |
| O'Fallon Gas Service, Inc. | 231,969 (24.9%) | 891,190 (95.7%) | 1,123,159 | 120.6% |
| Osage Natural Gas Co. | 41,957 (16.9%) | 160,975 (64.9%) | 202,932 | 81.8% |
| Peoples Natural Gas Co. | 66,399 (8.2%) | 1,562,168 (193.9%) | 1,628,567 | 202.1% |
| Rich Hill-Hume Gas Co., Inc. | 51,755 (18.2%) | 382,428 (134.8%) | 434,183 | 153.0% |
| St. Joseph Light & Power Co. | 246,285 (8.0%) | 3,002,073 (97.6%) | 3,248,358 | 105.6% |
| Total | \$88,945,132 (14.2%) | \$702,202,977 (112.3%) | \$791,148,109 | 126.5% |

PURCHASE GAS ADJUSTMENTS

The Missouri Public Service Commission currently employs a mechanism to allow the gas utilities under its jurisdiction to recover the increased cost of gas effected by wholesale pipeline supplier rate changes. This mechanism is called the Purchase Gas Adjustment Clause. The changes in supplier rates are regulated by the Federal Energy Regulatory Commission. The PGA clauses have to be tailored to meet the rate design methodologies approved by the Commission and correspond to the unique gas supply requirements exhibited by the individual gas utilities.

These clauses are considered imperative in maintaining the financial integrity of the gas utilities. The cost of gas at the first part of 1983, for Missouri utilities, ranged from 72% to 85% of the utilities' total cost of service. Without a timely mechanism for passing on these cost changes considerable loss or overcollection by the utilities would occur.

The utility company, after it has received an FERC approved wholesale change on the pipeline supplier tariff, will compute a revised PGA factor and submit the proposed tariff to the Commission reflecting any changes in rates.

The Gas Rates Section of the PSC reviews the proposed PGA factor changes to assure that the wholesale rate changes are valid and that the company has computed the PGA factor change as dictated by its tariffed PGA clause.

After review and comment by the Gas Rates Section on the proposed PGA change the Commission will decide whether or not to allow the proposed changes to be effective.

The Gas Rates Section of the PSC is currently effecting tracking mechanisms in the companies' PGA clauses to assure that companies do not overcollect or undercollect gas costs from action under their PGA clause.

PIPELINE SAFETY PROGRAM

The Gas Department's Engineering Section is responsible for administering the Commission's natural gas pipeline safety program which is conducted under the auspices of the federal Department of Transportation's Materials Transportation Bureau. The Commission has safety jurisdiction over 47 natural gas distribution operators, 33 municipally-owned systems and 14 investor-owned utilities. Engineering Section staff members are involved in an on-going field inspection program to ensure the design, construction, installation, operating, and maintenance policies, procedures, and practices of the jurisdictional operators meet the requirements of the Commission's pipeline safety rules.

Probable violations of Commission pipeline safety rules discovered during staff inspections are reported to the operators who are then responsible for

implementing appropriate corrective actions to achieve compliance. Although most enforcement is accomplished by the staff on an informal basis with the operators, formal complaints may be filed against an operator by the staff if sufficient corrective actions are not taken in a reasonable period of time. In FY 1983 Engineering Section staff members conducted 49 pipeline safety inspections with 142 probable violations of Commission pipeline safety rules being discovered. Formal complaints requesting authority to seek civil penalties were filed against two operators in FY 1983.

Accidents, except those resulting from misuse or malfunction of customer facilities, involving an ignition, eruption, or explosion resulting from the escape of natural gas which result in the loss of life, personal injury requiring the services of a physician or hospitalization, or property damage exceeding \$1,000 must be reported to the Engineering Section staff. Based upon the report received from the operator concerning the accident, the staff determines if a formal investigation is necessary. Upon completion of a formal accident investigation, the Engineering Section staff prepares a Staff Accident Report which is filed in a public docket. Follow-up to recommendations contained in the reports is conducted by the staff. Probable violations of Commission pipeline safety rules discovered during staff accident investigations which the staff believes contributed to the accident become the subject of formal complaints. Probable violations not believed to have contributed to the accident are generally handled on an informal basis between the staff and the operator. During FY 1983 the Engineering Section staff conducted 7 formal accident investigations with 2 probable violations of Commission pipeline safety rules being discovered. The only formal complaint filed in FY 1983 as a result of an accident investigation was based upon an accident that occurred in FY 1982.

NATURAL GAS RATE CASES DECIDED DURING FISCAL 1982-83

| <u>Date</u> | <u>Case No.</u> | <u>Company Name</u> | <u>Company</u> <u>\$ Requested</u> | <u>%</u> | <u>PSC</u> <u>\$ Granted</u> | <u>Percent</u> <u>of</u> <u>Increase</u> |
|-------------|-----------------|-----------------------------|---------------------------------------|----------|---------------------------------|--|
| 07-01-83 | GR-82-127 | Osage Natural Gas Co. | \$ 33,500 | 10% | \$ 16,549 | 7.4 |
| 08-10-82 | GR-82-151 | The Gas Service Co. | 17,923,325 | 6% | 10,648,000 | 3.7 |
| 11-08-82 | GR-82-181 | Missouri Power & Light Co. | 1,500,000 | 6.5% | 962,350 | 3.6 |
| 11-05-82 | GR-82-194 | Missouri Public Service Co. | 2,693,400 | 7.5% | 1,520,000 | 4.0 |
| 10-01-82 | GR-82-197 | Missouri Edison Co. | 550,000 | 12% | 464,825 | 8.9 |
| 10-15-82 | GR-82-200 | Laclede Gas Co. | 18,400,000 | 3.5% | 15,232,000 | 2.4 |
| 12-01-82 | GR-82-235 | Great River Gas Co. | 350,000 | 4% | 253,289 | 2.0 |
| 12-01-82 | GR-82-247 | Missouri Utilities Co. | 1,440,685 | 5% | 1,201,818 | 3.7 |

WATER AND SEWER

The Missouri Public Service Commission's Water and Sewer Department is responsible for overseeing the rates and practices of the state's 157 certificated regulated water and sewer companies (80 water and 77 sewer). In addition to their duties, the staff of the Water and Sewer Department also checks to ensure water and sewer services are actually needed before allowing the company to be granted a certificate to operate. They also oversee the sale or transfer of ownership of the companies.

In the last fiscal year; the Water and Sewer Department handled 20 small company rate cases and major rate cases for 9 water and 5 sewer companies. The staff of the PSC's Water and Sewer Department also provided assistance with the handling of 10 formal complaints and 140 informal complaints and 270 inquiries.

In order to ensure customers are provided with adequate service, the staff inspected 68 water and 66 sewer companies. The staff also provided recommendations to the Commission on the sale of 4 sewer and 4 water companies, and 2 contract cases involving issues between companies and specialized customers.

While the Public Service Commission is concerned with the quality of the customer's service, the Department of Natural Resources oversees the overall quality of water in the state and problems dealing with pollution.

Since the PSC and the Department of Natural Resources both oversee aspects of the water and sewer industry that affect the quality of the customer's service, a great number of problems are of a concern to both agencies. A cooperative agreement was developed last year between DNR staff and PSC staff and was approved by the Commission.

WHAT'S AHEAD FOR 1984

This past year the Missouri legislature passed a Senate Substitute for House Bill 204. It is now law. This law allows for the creation of a wholesale water commission which falls under the jurisdiction of the Public Service

Commission. Only one is being formed at the present time; the Clarence Cannon Wholesale Water Commission which is in its early stages of development.

This will be a new and different utility for the Commission to regulate because it has no retail customers and there is no profit or taxes. The Commission will be looking at the operation, maintenance and management expenses rather than a return on rate base for rate making purposes.

INFORMAL FILING FOR
SMALL WATER AND SEWER COMPANY RATE INCREASES

1. A small company is one with 1,000 customers or less.
2. This procedure will be implemented, where practicable, at any time a small water or sewer company requests a rate increase by filing a new tariff sheet, application or letter requesting a rate increase and a copy of new annual report form for Class D company.
3. Upon receipt of a request for a rate increase, the Director of the Water and Sewer Department will transmit to the company a request for the company's annual report (assuming these forms were not filed initially). A copy of the report form is attached in Appendix No. 1.
4. The Director of the Water and Sewer Department, upon receipt of the annual report and letter requesting rates, shall forward this information to the appropriate staff members. A staff team made up of one engineer and one accountant will be assigned by the department heads to these matters and shall conduct a field investigation and audit the company's books.
5. The team will make the necessary investigations into service problems, plant operations, rate structures and revenue requirements. Upon completion of this investigation, tentative results will be discussed with the company officials along with the possible solutions to any problems determined from the team's field investigation. Only solutions to service problems will be discussed at this time. Rate discussions will be delayed until after Step #7.

6. If there is a disagreement by any party to this matter here or any time later that can't be resolved, the matter becomes a formal case and the company, is advised at that time.
7. The team will prepare the preliminary exhibits and reports which shall be discussed with the company and the Public Counsel. See attached form used by Public Counsel to advise the Commission of his position.
8. The company will be advised to file a tariff sheet indicating proposed rates, and the company shall notify each of its customers of proposed rates by letter. (See Appendix No. 2 for copy of this customer notification letter and the staff letter to the company.) The company at the time it notifies its customers will send a copy of its notification letter to the Public Counsel and the Commission along with a letter of transmittal signed by an official of the company stating that the company has furnished a notice to each of its customers, and that a tariff is enclosed which will increase its rates. There must be forty-five (45) days between submission of the notice and the effective date of the tariff.
9. Depending on the response by customers to the company's notification letter, determination will be made whether more investigation is necessary and if a public meeting is necessary.
10. If a public meeting is necessary, the company will secure a place for the meeting in or near the service area. The meeting will be held in the evening to allow maximum attendance by the customers. A representative of the company will be present to answer questions. The Public Counsel representative will be present if he desires. An attorney, engineer and accountant will be present representing the staff of the PSC.
11. The staff shall submit its recommendations to the Commission for consideration and appropriate action. Approval of the utility's tariff sheet would be voted on by the Commission at this time.

| <u>Effective Date</u> | <u>Case No.</u> | <u>Company</u> | <u>Company Requested</u> | <u>%</u> | <u>PSC Allowed</u> | <u>%</u> |
|-----------------------|----------------------|--------------------------|--------------------------|----------|--------------------|----------|
| 7/6/82 | WR-82-217 | Capital City Water | \$ 344,829 | 16.5% | \$ 80,000 | 5 % |
| 12/15/82 | WR-82-249 | St. Louis County Water | 9,938,410 | 26 % | 4,600,000 | 12 % |
| 12/1/82 | WR-82-248 | Missouri Utilities | 376,708 | 16 % | 292,419 | 12 % |
| 2/1/83 | WR-82-279 | Missouri Water Lexington | 179,359 | 39 % | 165,039 | 38 % |
| 5/12/83 | WR-83-14 SR-83-15 | Missouri Cities Water | 787,223 | | 324,705 | |
| 6/1/83 | WR-83-108 | St. Joseph Water | 1,019,400 | 21.7% | 393,000 | 6 % |
| 6/1/83 | WR-83-132 | Joplin Water | 819,600 | 27.9% | 309,000 | 12.6% |
| 1/1/83 | SR-82-211 | Binder Basin Sewer | 38,444 | | 7,701 | 14.7% |
| 9/3/82 | SR-82-233 | Terre Du Lac | 7,068 | 45.8% | 7,068 | 45.8% |
| 9/3/82 | WR-82-234 | Terre Du Lac | 17,855 | 21.0% | 17,855 | 21.0% |
| 1/1/83 | SR-82-262 | Saline Sewer | 126,000 | | 119,658 | 27.2% |

- Percentage increase differs. The company has five water and two sewer districts.

SUPPORT SERVICES

The Utilities Division of the Missouri Public Service Commission has some departments that don't oversee the rates or practices of any one type of utility but provide the Commission with accounting and financial evidence, management studies, data processing and personnel to handle complaints.

OFFICE OF FINANCIAL ANALYSIS

The Office of Financial Analysis of the Missouri Public Service Commission has three primary duties: to prepare rate of return testimony and exhibits on behalf of the staff for rate cases, to monitor the financial condition of certain utilities on a monthly basis and to make recommendations regarding utilities' financing applications. In addition to these duties, it also is available for any financially related analysis requested by the Commission or the staff.

Preparing testimony and exhibits on behalf of the staff is the most important function of Financial Analysis because of the filing deadlines that must be met during a rate case. The office presents a recommended rate of return for the jurisdictional investment of a utility or, a return an analyst determines is fair for a utility to be allowed to earn on its rate base.

On a monthly basis, 27 of the larger electric, gas, telephone and water utilities report specified financial data from which various financial ratios are computed. Certain of these ratios are monitored for compliance with decisions rendered in rate cases.

In emergency rate case proceedings, one or more of the five analysts may be asked to prepare testimony or give their opinion as to the existence of a financial emergency.

This office reviews and makes recommendations regarding all issuances of long-term debt, preferred stock and common stock requested by utilities. Traditional methods of financing are still applied for, but in recent years, innovative financings, such as the use of bankers' acceptances, Eurodollar loan

arrangements, nuclear fuel financing and intermediate-term loans that have a floating rate, have been requested.

OFFICE OF MANAGEMENT SERVICES

The Office of Management Services was created in 1976 and charged with the responsibility of performing management audits of utilities operating under the regulatory jurisdiction of the Commission and developing research on methods to measure utility performance and on potential systems of incentives for improved utility management.

The management audit program provides a systematic process for examining and evaluating the methods, techniques, management systems and procedures used by regulated companies to manage their resources. The primary purpose of such an examination is to determine what, if any, changes could be instituted in the operations of a utility that would result in increased efficiency and/or an improved level of service to the customers. Since the results of the audit are documented in a report, the management audit process also provides a source of information to the Commission and the public describing the operations of the utility.

Missouri is one of seven states that has regulatory commission staff which performs management audits of utility companies. Although the Commission has ordered both consultant and staff-performed management audits of utilities, the thrust of the program in Missouri has been on the staff-performed management audit.

In addition to the general management audits, the Office of Management Services has also performed customer service audits, selective audits relating to specific issues in rate cases, and special studies that have been ordered by the Commission.

Specifically, during the past year the Office of Management Services has participated with several other state regulatory commissions in petitioning the FERC to require the collection of additional coal cost data for electric

generating plants. This additional data would facilitate a more comprehensive comparative analysis and examination of coal costs. The Staff also performed a special investigation of insurance programs and methodologies for minimizing the economic effect of power plant failures on companies and ratepayers. In addition, the Staff has prepared rate case testimony on the issue of management efficiency.

The following list identifies the management audits which have been completed or initiated during the past year:

| <u>Case Number</u> | <u>Utility/Type of Audit</u> | <u>Performed by/Status</u> |
|--------------------|--|---|
| EO-81-313 | Citizens Electric Corporation Management Audit | Office of Management Services/Audit completed Jan. 1983 |
| GO-82-110 | Rich Hill-Hume Gas Company Management Audit | Office of Management Services/Audit completed June 1982 |
| EO-82-171 | Missouri Public Service Company Management Audit | Office of Management Services/Audit completed Jan. 1983 |
| *TO-83-47 | United Telephone Company of Missouri Management Audit | Office of Management Services/Audit initiated Aug. 1982 |

*Audit not complete at end of fiscal year.

ACCOUNTING DEPARTMENT

The Accounting Department's role and importance to the Commission derives from the nature of the profession. All modern businesses keep an accounting of their operations, and for regulated businesses in particular, proper accounting of their expenses, revenues, assets, debts and owners' equity is a requirement because such accounting or financial information is usually a basis for justifying a desired change in rates. The accountants are the technical experts that review, examine and reconstruct the accounts kept by the utilities, and interpret the findings to the Commissioners who ultimately set the rates by virtue of their statutory powers.

The Accounting Department conducts various audits and investigations of the utilities in the state for the Commission, and is responsible for advising, assisting and testifying before the Commission on various relevant financial matters. In addition, it is also responsible for the supervision of the accounting matters of all utilities operating within the state. By thoroughly auditing any company requesting a rate increase, the Accounting Department helps the Commission ensure that rates are fair and reasonable.

Basically, three types of investigations are conducted by the Staff. The first is a comprehensive office audit of a utility's annual report; the second, audits pertaining to rate investigations; the third, compliance audits. Along with the three types of audits, the Staff conducts accounting-related investigations as required by the Commission and prepares statistical analyses for various Commission purposes. Currently, the accountants work out of three offices located in Jefferson City, Kansas City and St. Louis.

Over the last fiscal year, the Accounting Department completed 41 rate case audits, 19 small informal rate case audits, and reviewed all the annual reports submitted by the utilities. Its activities required a total of 49,294 hours. In fiscal 1981-82, the Department performed 77 audits that required 47,176 hours.

CUSTOMER SERVICES

The Customer Services Department handles complaints consumers lodge against the companies regulated by the Commission. This department provides the Commission with a valuable link to the consuming public.

The department handles two types of complaints; informal and formal. An informal complaint can be made by telephone or in writing. Once an informal complaint is lodged, the staff tries to work with the customer and the company to resolve the problem. A formal complaint must be in writing and on occasion can be the outgrowth of an informal complaint that was not resolved to the customer's satisfaction. As part of the process of handling a formal complaint,

the staff will conduct an investigation, which might include a visit to the customer's home or the overseeing of the testing of a meter, and recommend to the Commission how the complaint should be decided. The Commission will then hold a formal hearing to let the customer and the company present their evidence before reaching a decision.

The Commission has customer complaint offices in Jefferson City, St. Louis and Kansas City. The Commission also has a toll-free hotline number, 1-800-392-4211.

Over the last fiscal year, the number of both informal and formal complaints handled by the Customer Services Department has decreased.

The Customer Services Department saw the number of complaints fall from 8,818 in 1981-82 to 8,441 in 1982-83.

Below is a chart showing the number of complaints by type of utility and the number from the preceding year.

| <u>UTILITY</u> | <u>1981-82</u> | <u>1982-83</u> |
|----------------|----------------|----------------|
| Telephone | 3,432 | 3,290 |
| Gas | 2,877 | 2,935 |
| Electric | 2,014 | 1,725 |
| Water & Sewer | 418 | 362 |

In the last fiscal year, the Kansas City office received 1,861 complaints as compared to the 1,888 received during fiscal year 1981-82. In the same time frame, the Jefferson City office's number of complaints decreased from 4,975 to 4,743 and the St. Louis office's number decreased from 1,955 to 1,837.

Consumers continued to use the telephone more than writing to the Public Service Commission when lodging a complaint. During the fiscal year 1983, the PSC received 6,841 telephone complaints and 1,438 written complaints. While telephone complaints decreased from fiscal year 1982 totals, the number of written complaints increased from 1,243 in fiscal year 1982.

The Commission's toll-free hotline received 2,479 calls this past fiscal year as compared to 2,960 calls the year before.

HOW THE COLD WEATHER RULE, AFFECTS YOU

The Public Service Commission's Cold Weather Rule is an effort to help those customers who face shutoffs each winter.

Adopted in 1977, the Cold Weather Rule establishes special procedures relating to shutoff practices from November 15 to March 31. The rule is designed to protect consumers who cannot pay their entire monthly heating bill but will agree to pay a portion of the bill and enter into an agreement to pay off the balance prior to the next heating season.

To be eligible for assistance under the Cold Wether Rule, a customer must contact the utility when a bill for service is not paid in full during the period between and including November 15 through March 31. At that time, a customer must express an inability to pay in full, provide the utility with sufficient information regarding his or her income for determination of the terms of a permanent agreement which includes any amounts in arrears, current amounts and all ensuing bills to be disposed of prior to the next November 15 date.

Here is how the Cold Weather Rule works. If a company is notified by the Division of Family Services or the agency responsible for Energy Crisis Intervention Program that a customer is eligible for either Low Income Energy Assistance of Utilicare; that customer, if he or she has not defaulted or stopped payment on an agreement entered into within the last 12 months, can keep their service on by paying 25 percent of the most recent month's bill or \$75, whichever is greater. The customer must also agree to pay any outstanding balances or ensuing bills over the next 11 months through a levelized payment plan. Here is an example of how that works. The customer has a current bill of \$300. He is required to pay 25 percent of that bill or \$75, whichever is

greater. The payment in this case would be \$75. The customer now has a balance of \$225. Under the payment arrangement, that customer would be required to pay 1/11 of that balance or approximately \$20.45 a month for the next 11 months. Also under the agreement, the company would project the total energy cost for that customer over that 11-month period. Let's say the company projected the customer's cost of \$900. The total amount may be reviewed periodically and reasonably adjusted by the utility. The customer would then pay the company 1/11 of that total each month or approximately \$81.82. So under the agreement, the customer would pay a total bill of approximately \$102.27 each month for the next 11 months.

A second phase of the rule deals with those who have defaulted on either a payment arrangement or a budget-billing arrangement in the last 12 months. Those customers would then fall under the old provisions of the rule. They will have to pay either 25 percent of the outstanding balance or \$75, whichever is greater, to keep their service on. Once again let's use a \$300 bill as our example. The customer under this plan would be required to pay 25 percent of that bill or \$75, whichever is greater. In this case he pays \$75. The balance now stands at \$225. The customer's bill in December is \$125. His new balance stands at \$350. Once again the customer is required to pay 25 percent of the OUTSTANDING BALANCE or \$75, whichever is greater. The customer is required to now pay the utility \$87.50. His new balance stands at \$262.50. If his bill rises again the next month, the customer will have to pay a larger sum and the balance continues to rise as well.

The Cold Weather Rule also prohibits the companies from charging a customer, who enters into an agreement and makes payments in a timely fashion, a deposit.

If a customer is having difficulty paying the heating bill, the company must also clearly advise him or her of the availability of the deferred payment plan.

There are additional provisions for those over 62 or handicapped to the extent that they cannot leave their homes without assistance. When those customers fill out a registration form, which the company provides, their service cannot be terminated without the utility personally contacting someone in the household over 15 years old.

The Cold Weather Rule, now in effect, was set up through the cooperative efforts of the Public Service Commission, the Office of Public Counsel and the state's regulated electric and gas companies. This Cold Weather Rule is not in effect for municipally owned gas systems because, other than safety matters, the Public Service Commission does not regulate municipal systems. That is also the case with propane.

The Public Service Commission continues to constantly evaluate the Cold Weather Rule program. This summer, the Commission ordered the development of a plan to determine the number of people disconnected because of nonpayment of bills. The Commission ordered those gas utilities which the PSC regulates and which serve more than 5,000 Missouri gas customers, to file information on disconnections on a monthly basis.

These companies have been asked to supply information on the number of customers who were disconnected for failure to comply with the terms and conditions of a settlement agreement under the Cold Weather Rule and the total dollar amount due from that group.

The Commission set up the plan to be able to better access the effectiveness of the Cold Weather Rule as well as to monitor the impact of rates on Missouri natural gas customers.

Those companies who have been ordered to participate in the program, have been filing monthly updates on gas terminations since September.

TRANSPORTATION DIVISION

The Transportation Division regulates the rates and services provided by Missouri's bus, truck and railroad companies. It also regulates the construction and sale of mobile homes, recreational vehicles and modular units.

The Commission only has authority over the intrastate activities of the companies or the routes they provide with service in Missouri. The interstate activities of the companies are subject to the jurisdiction of the Interstate Commerce Commission. Private carriers that do not operate for hire and farm-to-market truckers also are exempt from Commission regulation.

Through its various sections the Transportation Division provides to the Commission recommendations on proposed operating authorities and rate relief requested by motor carriers. The division's staff also insures truckers have adequate insurance coverage, are properly licensed to operate in Missouri and that state truck regulations are enforced. State bus laws also are enforced by the Transportation Division's staff. Staff members oversee bus companies to ensure passengers receive safe and adequate transportation. The Federal Bus Regulatory Reform Act of 1982 preempted much of the Commission's jurisdiction in the areas of rate regulation, regular route entry, and the abandonment of routes.

Rail safety also is promoted by the Transportation Division. Through its contributions to Operation Lifesaver, a joint effort by industry, government and public officials, the division has tried to reduce the number of crossing-related deaths in Missouri.

Manufactured home regulation, is also a responsibility of the Transportation Division. Division personnel ensure that manufactured homes sold in Missouri meet construction standards adopted by the Commission. These units are periodically inspected at dealer lots to ensure compliance with these

standards. In addition, division personnel handle complaints and grievances by owners of manufactured homes regarding the construction of those units.

DEPARTMENT OF RATES, AUDITS, FINANCIAL ANALYSIS, AND RESEARCH AND PLANNING

The Department of Rates, Audits, Financial Analysis and Research and Planning is responsible for inspecting tariffs (rate schedules), auditing the financial reports submitted by the carriers, performing financial analysis of data submitted for rate hearings and application cases, and conducting economic research to identify quantitative needs, to evaluate statistical sampling plans and to design procedures to facilitate necessary research.

The work of this department is detailed below:

| <u>Carrier Financial Field Audits:</u> | <u>1981-82</u> | <u>1982-83</u> |
|---|----------------|----------------|
| <u>Type of Carrier</u> | | |
| Household Goods Carriers | 13 | 17 |
| Dump Trucks | 0(A) | 0 (A) |
| Passenger Carriers | 18 | 4 |
| General Commodity Carriers | 11 | 16 |
| TOTAL FIELD AUDITS | 42 | 37 |
| <u>Type of Audit</u> | | |
| Rate Compliance Audits | 48 | 49 |
| Rate Case Analysis | 20 | 12 |
| Transfer Financial Reviews | 179 | 280 |
| New and Additional Authority Financial Reviews | 5020 | 3864 |

(A) The staff, because of the number of rate cases, has only been performing audits if the carrier group has a rate case pending.

OFFICES OF AUDITS, FINANCIAL ANALYSIS, AND RESEARCH AND PLANNING

MAJOR TRANSPORTATION RATE CASES FOR FISCAL YEAR 1982-83

Case B-47,874

American Buslines, Inc., Continental Trailways, Inc., and Midwest Buslines, Inc. filed for a 32.5% increase in express and passenger fares and a 9.6% increase in charter rates. The Commission approved an increase of 13.1% in passenger and express fares and no increase in charter fares, effective March 8, 1983.

Cases T-48,056, T-48,820 and T-49,196

Three carriers, Bill Wolters, Bekins Moving & Storage, Williams Moving & Storage Company, filed for firm bid service. After a hearing, the Commission determined that the carriers could provide firm bid service on a trial basis with the staff reporting back to the Commission in fifteen months of the effective date of tariff filings. The report and order was effective April 26, 1982.

Cases B-49,660 and B-49,399

The Commission approved a 3.65% increase in passenger revenue, a 1.35% increase in express and .85% increase in charter rates for Jefferson Lines, Inc., effective December 5, 1982.

Case B-50,604

Commission approved an interim rate increase of 13.1% on passenger and express fares for Trailway's, Inc., American Buslines, Inc., and Midwest Buslines, effective July 30, 1982.

Cases T-50,774 and T-50,775

Williams Moving & Storage Co., J. R. Adams & Son, Inc., filed for one rate level applicable to the movement of household goods irrespective of origin point. The Commission did approve staff's recommendation to include 6 counties to be

included in Rate Level 2 and denied carriers request for one rate level, effective March 7, 1983.

Case T-51,371

General Commodity Carriers requested and testimony was given in hearings for an increase in rates. At the end of the fiscal year, a report and order had not been issued in this case.

Case T-51,492

General Commodity Carriers were granted an interim rate increase ranging from 11.75% to 2.6% effective March 15, 1983.

Case B-52,488

Jefferson Lines, Inc. applied for a 35% increase in passenger rates. This request was denied by order effective April 19, 1983.

Case B-53,255

By Order effective May 31, 1983, Mo-Tran Bus Lines, Inc. was granted an increase in one-way passenger fares in the amount of 13.37%.

RATE INCREASE REQUESTS HANDLED BY SMALL BUS PROCEDURE

Case B-49,276

Medi-Cab of Greater Kansas City was allowed a 13.8% increase in rates after staff audit effective October 13, 1982.

Case B-50,341

Ozark Mountain Sightseeing, Inc. was allowed to file an increase in rates and charges after staff audit effective November 16, 1982.

Case B-51,508

Gray Line of St. Louis was allowed to file an increase in rates and fares after staff audit effective August 24, 1982.

OFFICE OF RATES

The Office of Rates reviews all proposed tariffs and schedules filed by the rail and motor carriers. The office 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 thirty (30) days prior to their effective date to allow the staff time for review. The notice requirement can be waived with 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 Department of Rates, Financial Analysis and Research and Planning in making its final decision.

Errors and violations of tariff rules are determined through rate compliance audits. The audits indicated the following type of violations which were all subsequently corrected by the carriers:

| <u>Results of Rate Audits</u> | <u>1981-82</u> | <u>1982-83</u> |
|---|----------------|----------------|
| Number of rate audits | 48 | 49 |
| Bills of lading violations | 629 | 297 |
| Collection of charges violations | 1592 | 721 |
| C.O.D. violations | 17 | 58 |
| Freight bills violations | 568 | 209 |
| Delivery receipt violations | 4 | 106 |
| Loss and damage rules violations | 5 | 9 |
| Authority violations | 17 | 45 |
| Tariff posting violations | 11 | 12 |
| Rate undercharges | 205 | 400 |
| Amount of undercharges | \$7,355.32 | \$11,571.42 |
| Rate overcharges | 306 | 469 |
| Amount of overcharges | \$7,380.46 | \$12,236.58 |
| Follow-up Investigations | 48 | 46 |
| Hours spent in carriers' offices conducting audits | 499 | 724 |
| Special investigations (other than rate audits) | 3 | 3 |

Volume of Work Other Than
Rate Audits

| | | |
|----------------------------------|------|------|
| Truck tariffs received | 4102 | 3638 |
| Rail tariffs received | 6102 | 7092 |
| Service complaints handled | 36 | 58 |
| Special permission orders issued | 62 | 67 |
| Tariffs suspended | 24 | 5 |
| Tariffs rejected | 3 | 7 |
| Contract carrier rate filings | 73 | 44 |

OFFICE OF LICENSE

State law requires bus and truck companies to purchase stickers or stamps that must be carried by all vehicles operating in Missouri. The Office of License handles the sales of those stickers. The funds from the license sales make up a portion of the Commission's budget that is appropriated by the legislature.

The Office of License sells two types of licenses. The annual license is good for one year and cost \$25. A temporary license, for a 72-hour period, sells for \$5. The Commission charges \$1 for replacing damaged stickers.

The activities of the Office of License over the past two fiscal years is detailed below:

| | <u>1981-82</u> | <u>1982-83</u> |
|--------------------|--------------------|--------------------|
| <u>Bus</u> | | |
| Annual licenses | 5,229 | 4,629 |
| 72-hour licenses | 440 | 260 |
| <u>Truck</u> | | |
| Annual licenses | 101,348 | 94,874 |
| 72-hour licenses | 67,392 | 53,968 |
| Replacements | 2 | 10 |
| TOTAL SALES | \$3,003,587 | \$2,759,175 |

OFFICE OF INSURANCE

Missouri truckers are required by state law to have cargo and liability insurance. It is the responsibility of the Office of Insurance to ensure carriers have the necessary insurance before operating within Missouri.

Below the Office of Insurance's work for the last two fiscal years is detailed:

| | <u>1981-82</u> | <u>1982-83</u> |
|---|----------------|----------------|
| New certificates received & filed | 14,823 | 16,629 |
| Cancellation notices received | 8,198 | 9,318 |
| Carriers suspended due to cancellation | 3,118 | 3,695 |
| Carriers reinstated upon renewal | 1,758 | 2,154 |

OFFICE OF OPERATING RIGHTS

Missouri truckers are authorized by the Commission to carry certain goods over set routes. The Office of Operating Rights handles requests that carriers submit for authority to provide an area with a service. After a request is submitted, other carriers are notified of the request and a hearing is held to allow the Commission to determine if the new service is needed. On the basis of the evidence presented in the hearing, the carrier's request is either approved or denied. Below is a breakdown of the work done by this office over the last two fiscal years:

| | <u>1981-82</u> | <u>1982-83</u> |
|---|----------------|----------------|
| Applications for intrastate authority | 94 | 143 |
| Initial grants of authority | 149 | 128 |
| Additional grants of authority | 79 | 59 |
| Grants of temporary authority and extensions | 102 | 266 |
| Transfers of intrastate authority | 51 | 24 |
| Interstate permits issued | 2,976 | 3,136 |
| Interstate permits revoked | 1,788 | 2,027 |

ENFORCEMENT DEPARTMENT

Through routine inspections and investigations from complaints, the Enforcement Department works to ensure Missouri's bus and truck companies adhere to the regulations established by the Commission and state law.

A carrier found in violation of the regulations can be prosecuted in the locality in which the incident occurred or can be called before the Commission, which can have its legal staff seek penalties in court.

A description of the department's work over the last two fiscal years follows:

| | <u>1981-1982</u> | <u>1982-1983</u> |
|---------------------------------------|------------------|------------------|
| Carriers contacted | 6,872 | 6,144 |
| Compliance surveys | 10 | 14 |
| Vehicles inspected | 8,610 | 11,235 |
| Bus stations inspected | 35 | 33 |
| Transferees investigated | 84 | 30 |
| Investigations conducted | 2,094 | 1,304 |
| New carrier orientation | 184 | 103 |
| Accidents investigated | 70 | 40 |
| Arrests resulting from investigations | 2,487 | 1,673 |
| Complaints received | 530 | 487 |
| Hours spent traveling | 11,530 | 11,674 |
| | <u>1981-1982</u> | <u>1982-1983</u> |
| Accident reports received | 101 | 69 |
| Vehicles placed out of service | 1,688 | 3,886 |
| Out of service violations | 2,911 | 6,301 |
| Warnings Issued | 4,935 | 15,875 |
| Cases submitted for prosecution | 21 | 7 |

DEPARTMENT OF RAILROAD SERVICES

The Railroad Services Department has the job of enforcing the Commission's rules and regulations and also state laws relating to Missouri's railroad industry.

In addition to investigating crossing accidents and derailments, the department develops a priority listing on all crossings to help determine the placement of signals. The staff also investigates complaints on the working conditions of railroad employees and any changes proposed by a railroad that would affect the level of service for the customers.

In an effort to provide for the safety of all motorists, the staff coordinates the statewide public information program, "Operation Lifesaver", which is a joint effort by government, industry and local officials to reduce the number of crossing accidents. Staff members also participate in the Federal Railroad Administration's Track Safety Program and under an agreement are solely responsible for conducting all track inspections in Missouri. Rail terminals are inspected continually to insure the industry's compliance with all regulations on transporting hazardous materials by Missouri's railroads.

A summary of the department's work over the past two fiscal years is detailed below:

| | <u>1981-82</u> | <u>1982-83</u> |
|--|----------------|----------------|
| Fatal Accident Investigations | 16 | 14 |
| Grade Crossing Inspections | 772 | 491 |
| Grade Crossing Survey | 14 | 20 |
| Operation Lifesaver Presentations | 12 | 15 |
| Industrial Track Inspections | 65 | 24 |
| <u>Railroad Inspections</u> | | |
| Yard and Walkways | 38 | 18 |
| Sanitation and Shelter | 22 | 20 |
| Transportation Equipment | 11 | 16 |
| Applications Received and Investigated | 88 | 104 |
| Complaints Received and Investigated | 113 | 115 |
| Track Inspections: | 379 | 319 |
| Miles Inspected | 5,860 | 4,909 |
| Defects Written | 1,798 | 1,541 |
| Train Accidents Investigated | 11 | 11 |
| Hazardous Material Compliance | | |
| Inspections: | 58 | 40 |
| Waybill Defects | 165 | 127 |
| Placarding Defects | 250 | 87 |

DEPARTMENT OF MOBILE HOMES

The Mobile Homes Department has the responsibility of enforcing federal construction standards relating to mobile homes and recreational vehicles.

In 1976, the state legislature approved legislation allowing the Commission to contract with the Department of Housing and Urban Development (HUD) to act as its agent in Missouri for the enforcement of HUD's 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.

The same year the state legislature also passed another bill requiring manufacturers and dealers who do business in Missouri to register with the Commission. These manufacturers also must have seals attesting to the compliance with HUD regulations on any mobile homes, modular homes or recreational vehicles before they can be sold.

The department also investigates complaints concerning construction, performance and mobile home emplacement.

The activities of the department over the past two years is detailed below:

INSPECTIONS AND INVESTIGATIONS

| | <u>1981-82</u> | <u>1982-83</u> |
|---|----------------|----------------|
| <u>Recreational Vehicles, Manufactured Homes, and Modular Homes</u> | | |
| Seals Issued for Recreational Vehicles | 3,019 | 3,944 |
| Seals Issued for Modular Homes | 90 | 159 |
| Plan Approvals for Recreational Vehicles and Modular Homes | 552 | 544 |
| Number of Manufactured Homes Shipped to Missouri | 3,740 | 3,716 |
| Number of Hours Inspecting Manufactured Homes | 598 | 432 |

FEES COLLECTED

| | <u>1981-82</u> | <u>1982-83</u> |
|--|----------------|----------------|
| Number of Dealer Registration Requests Received | 94 | 189 |
| Number of Manufacturer Registration Requests Received | 28 | 86 |
| Inspections of Recreational Vehicles, Manufactured Homes, and Modular Homes on Dealer Lots | 2,745 | 2,862 |
| Inspections and Construction Monitoring of Out-of-State Manufactured Home Plants | 60 | 48 |
| Inspections of Modular Home Plants | 30 | 30 |
| Consumer Complaints Handled | 368 | 392 |

Tie-Down Systems

| | | |
|-------------------------|-----|-----|
| Complaints | 200 | 191 |
| Inspections: | | |
| Manufacturers | 19 | 16 |
| Seminars and Workshops: | | |
| Cities | 9 | 8 |
| Counties | 4 | 6 |

Revenues

| | | |
|---|------------------|------------------|
| Recreational Vehicle Seals | \$ 24,152 | \$ 50,888 |
| Modular Home Seals | \$ 720 | \$ 1,396 |
| Plan Approvals | \$ 13,800 | \$ 20,475 |
| HUD Reimbursement for Units Shipped to Missouri | \$ 33,660 | \$ 49,749 |
| M.C.S.B.C.S. Reimbursement-Monitoring Participation | \$ 9,197 | \$ 6,629 |
| Manufacturer Registration Fees | \$ 2,330 | \$ 18,830 |
| Dealer Registration Fees | \$ 140 | \$ 1,120 |
| Postage Assessment | \$ 332 | \$ 412 |
| Total Revenues | \$ 84,331 | \$149,499 |

BUS REGULATORY REFORM ACT OF 1982

This federal act was signed into law by President Ronald Reagan on November 20, 1982. This act became law with the intent that it would make the bus industry more competitive and would lead to the de-regulation of the bus industry.

Prior to it becoming law, those who applied for authority to provide bus service on an interstate basis with the Interstate Commerce Commission would have to prove to the ICC that the service they wished to provide was a needed service in that area of the country. Due to the Bus Regulatory Reform Act of 1982, an applicant must only show the ICC that he is financially able to provide bus service, that he has adequate insurance protection and that he will operate that bus service with good equipment. The ICC no longer limits the number of bus companies serving a particular area.

In the State of Missouri, the Public Service Commission regulates 45 bus companies which provide service within the State of Missouri. Of those 45 bus companies, 19 also provide service on an interstate basis. Those 19 are the only ones that also have authority to operate from the ICC and who fall under the Bus Regulatory Reform Act of 1982. The remaining 26 bus companies which the PSC regulates provide bus service only in Missouri. That point is important because decisions reached by the Public Service Commission on bus rates and a request for a discontinuance of service is final. Those 26 bus companies do not have the option of appealing the PSC's decision to the ICC while those 19 interstate bus carriers do. Any decision reached by the PSC with regards to rates or discontinuance of service may be appealed to the ICC because of this Bus Regulatory Reform Act. The ICC has the power to over-rule the Missouri Public Service Commission and award higher rates or discontinue a bus line the PSC said should not be discontinued and has already done so on several occasions.

The Bus Regulatory Reform Act was set up to allow several more applicants into the business. But the Transportation Division of the Missouri Public Service Commission hasn't seen that happen yet. Several inquiries about operating a bus line in the State of Missouri have come in but the actual starting up of service by several companies hasn't started.

HEARING EXAMINERS

A staff of full-time hearing examiners is utilized to meet the procedural demands of the large volume of contested cases filed with the Commission as authorized by Chapters 386 through 393 of the Revised Statutes of Missouri. Each case filed is assigned to a hearing examiner on a rotation basis. The examiner prepares the necessary orders for the Commission's issuance which are required to comply with notice and procedural due process requirements to afford a full and fair hearing to the parties to the matters properly before the Commission.

The present volume of cases makes it impossible for members of the Commission to participate in all hearings. It is the duty of the hearing examiner to take a case through the hearing and post-hearing process and prepare a recommended order or decision based on the evidence of record. All hearings are recorded by the Commission's staff of court reporters.

Due to the complex issues and subject matter, the length of hearings may vary from a part of a day to more than four weeks. Disposition of procedural matters and preparation of a proposed decision will frequently account for five to eight times the amount of the time required for hearing.

In the average year the Commission receives for filing approximately 300 utility cases and 200 transportation cases requiring handling by a hearing examiner. In fiscal year 1983 the hearings before the Commission required 808 hours and resulted in 25,861 pages of transcript in addition to the hundreds and perhaps thousands of exhibits offered by the parties.

OFFICE OF THE SECRETARY

The Office of the Secretary is responsible for providing the Commission with the administrative coordination needed to operate the various divisions in a proper fashion.

In addition to being the place where all cases and testimony are filed, the office also functions as the distributor of all Commission orders and aides in setting the schedule, or docket, for hearing the cases.

Since the legal record of the Commission must be maintained, the files on all cases are kept up-to-date by the office's personnel. Those files are open to public inspection, and copies of records can be obtained for a copying fee.

The Commission's Information Department, which ensures the news media is aware of the Commission's activities that might affect consumers in their reading or listening area, also is part of this office. The number of news releases issued by the department decreased from 435 in fiscal 1981-82 to 364 in 1982-83. In the last fiscal year, the Information Department also provided information sheets for local hearings, answered inquiries from the public and the media, began to form an overall information program and setup the Public Service Commission's monthly calendar which describes the hearing schedule for that month plus an article about a particular facet of the PSC. The Information Department also sets up speaking engagements for interested groups in the state and works on consumer information type programs.

The Hearing Reporters Department ensures a clear, concise record is kept of all formal proceedings before the Commission. In the last year, the department's staff spent 808 hours in hearings and filed 25,681 pages of transcripts.

Through the Internal Accounting Department, the office prepares the budget that is presented to the legislature and handles the financial business of the

Commission. The department also prepares and receives the assessments on regulated Missouri utilities, prepares the payroll, handles purchases of equipment and supplies, keeps records of all expenditures and does an annual audit of the Transportation Division, License Section and Mobile Homes Department.

PUBLIC SERVICE COMMISSION EXPENDITURES

Operating Expenditures

Public Service Commission Fund

| | Fiscal Year 1982 | Fiscal Year 1983 |
|-----------------------|---------------------|---------------------|
| Personal service | \$3,135,615 | \$3,326,061 |
| Expense and equipment | <u>1,174,197</u> | <u>1,204,441</u> |
| Total PSC Fund | \$4,309,812 | \$4,530,502 |

State Highway Fund

| | | |
|-----------------------|----------------|----------------|
| Personal service | \$1,402,131 | \$1,516,441 |
| Expense and equipment | <u>492,121</u> | <u>439,913</u> |
| Total Highway Fund | \$1,894,252 | \$1,956,354 |

General Revenue

| | | |
|-----------------------|---------------|---------------|
| Personal service | \$ 116,077 | \$ 115,768 |
| Expense and equipment | <u>15,927</u> | <u>19,692</u> |
| Total General Revenue | \$ 132,004 | \$ 135,460 |

Other Expenditures

| | | |
|---------------------|--------------------|--------------------|
| License refund | \$ 14,865 | \$ 14,980 |
| Grade Crossing Fund | 446,600 | 207,483 |
| Federal Funds (A) | <u>238,742</u> | <u>3,485</u> |
| Total Expenditures | <u>\$7,036,275</u> | <u>\$6,848,264</u> |

(A) Fiscal Year 1982 includes federal grant monies spent in an effort to adhere to the Public Utility Regulatory Policies Act requirements while the Fiscal Year 1983 expenditure was to close out the grant.

| | | |
|--------------------------------|--------|--------|
| Authorized number of employees | 245.16 | 245.66 |
|--------------------------------|--------|--------|

PUBLIC SERVICE COMMISSION RECEIPTS

Public Service Commission Fund

| | Fiscal Year 1982 | Fiscal Year 1983 |
|--|---------------------|---------------------|
| Utility assessment (A) | \$4,364,814 | \$5,109,340 |
| Out-of-state audit reimbursement | 10,347 | 12,050 |
| Department of Transportation reimbursement | | |
| Railroad track safety program | 90,098 | 60,593 |
| Natural gas pipeline safety program | 74,847 | 21,547 |
| Miscellaneous reimbursements | 305 | 369 |
| Sale of surplus property | <u>125</u> | <u>2,000</u> |
| Total PSC Fund | \$4,540,536 | \$5,205,899 |

STATE HIGHWAY FUND

| | | |
|----------------------------------|--------------|---------------|
| Sale of bus and truck licenses | \$3,002,712 | \$2,759,175 |
| Sale of surplus property | 3,018 | 2,532 |
| Miscellaneous reimbursements | 9 | 5 |
| Out-of-state audit reimbursement | <u>5,293</u> | <u>14,575</u> |
| Total State Highway Fund | \$3,011,032 | \$2,776,287 |

GENERAL REVENUE FUND

Mobile Homes Division's Receipts:

| | | |
|---|------------|------------|
| Sale of recreational vehicle seals | \$ 24,152 | \$ 50,888 |
| Sale of modular home seals | 720 | 1,396 |
| Payment for mobile home manufacturer construction monitoring | 9,197 | 6,629 |
| Payment for mobile home units shipped to Missouri | 33,660 | 49,749 |
| Dealer registration fees | 140 | 1,120 |
| Manufacturer registration fees | 2,330 | 18,830 |
| Plan approvals | 13,800 | 20,475 |
| Postage assessment | <u>332</u> | <u>412</u> |
| Total Mobile Homes Division | \$ 84,331 | \$ 149,499 |

| | Fiscal Year 1982 | Fiscal Year 1983 |
|---|---------------------|---------------------|
| Miscellaneous receipts | | |
| Miscellaneous refund | \$ -0- | \$ 407 |
| Authority fees | 32,501 | 53,896 |
| Fees for copies of PSC documents | <u>19,170</u> | <u>25,078</u> |
| | \$ 51,671 | \$ 79,381 |
| Total General Revenue Fund | <u>\$ 136,002</u> | <u>\$ 228,880</u> |
| Grade Crossing Fund | | |
| Tax on car rentals by freight-line companies | \$ 451,730 | \$ 523,377 |
| Federal Funds | | |
| Public Utilities Regulatory Policy Act grant for rate design investigations | \$ 65,772 | \$ -0- |
| TOTAL RECEIPTS | <u>\$8,169,072</u> | <u>\$8,734,443</u> |

(A) Section 386.370 RSMo 1978 authorizes the Public Service Commission to make an annual assessment against the regulated utility companies operating in the State of Missouri of up to 25 hundredths of one percent of the total intrastate operating revenue. For fiscal year 1983 the overall assessment factor was 14 hundredths of one percent.

OFFICE OF THE GENERAL COUNSEL

The Office of General Counsel is required by state law to provide the Commissioners with legal advice and to present the staff's position in the various cases.

As part of the hearing process, the legal staff also reviews the testimony presented by the other parties and cross-examines their witnesses to help ensure the Commission reaches a reasonable decision.

The General Counsel's staff also represents the Commission in the courts and before federal agencies.

The formal rules and procedures by which the Commission operates also are drafted by the legal staff as is any legislation that is presented by the Commission to the legislature.

If the Commission decides to seek penalties against a company for a rules violation, it is the legal staff's responsibility to take action in the appropriate court.

The Office of the General Counsel's workload over the last two fiscal years is detailed below:

| | <u>FY 1981-82</u> | <u>FY 1982-83</u> |
|---|-------------------|-------------------|
| Cases filed (utility filings and tariff cases) | 995 | 997 |
| Cases on appeal in Missouri courts | 41 | 25 |
| Penalty cases | 11 | 10 |
| Federal cases before the Federal Energy Regulatory Commission | 39 | 26 |
| Federal cases before the Interstate Commerce Commission | 1 | 4 |
| Federal cases before the Nuclear Regulatory Commission | 2 | 2 |
| Federal cases before the Federal Communications Commission | 4 | 6 |
| Federal cases before the Department of Energy | 0 | 1 |