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Executive Officer

December, 1974

Honorable Ronald Reagan
Governor, State of California

Honorable James R. Mills
President pro Tempore, and to Members of the Senate

Honorable Leo T. McCarthy
Speaker, and to Members of the Assembly

Gentlemen:

At the request of the California Public Utilities Commission, the Commission on California State Government Organization and Economy has conducted an in-depth analytical study of the responsibilities, organization and functioning of the Public Utilities Commission with the objective of recommending measures to bring about greater efficiency and economy. Its scope did not encompass utility rate fixing policy; this is a matter for extensive special study. We note in this connection that Assembly Concurrent Resolution No. 192, 1974, requests the Public Utilities Commission to conduct a thorough study of electric rate structures with special attention to the economic, social and energy conservation consequences of various alternative rate structures.

This report includes a discussion of new issues and recent important developments which have had a substantial impact on the volume and complexity of the Commission's work.

The recommendations of the study are in the following two categories:

- Those relating to organization and procedures of the Commission's staff which can be accomplished by administrative action with minor change in law.

- Those involving basic changes in the regulation of certain enterprises, notably warehouses and highway freight carriers, which require important changes in the laws.

December, 1974

Some of the recommendations call for needed increases in staff. On the whole, however, the proposed measures will bring about substantial economies; but no attempt has been made to estimate the total dollar impact on a particular year's budget.

The study was initiated under the direction of a Subcommittee of the Commission comprised of Walter H. Lohman, Chairman, Harold Furst and Manning J. Post. Subcommittee Chairman Lohman resigned from the Commission prior to the completion of the study because of his move from the State. Policy guidance was provided, therefore, by Chairman Post and Commissioner Furst. Staff work, coordinated by the Commission Executive Officer, was directed by Thomas H. Mugford. Excellent cooperation and assistance was received from the members and staff of the Public Utilities Commission.

Respectfully,

Manning J. Post, Chairman
Walter H. Lohman, Vice-Chairman
Senator Alfred E. Alquist
Howard A. Busby
Assemblyman Jack R. Fenton
Harold Furst
Harold C. Henry
H. Herbert Jackson
James E. Kenney
Andrew L. Leavitt
Senator Milton Marks
Assemblyman Ernest N. Mobley
Nathan Shapell

cc: Governor-elect Edmund G. Brown, Jr.

A STUDY OF THE CALIFORNIA STATE PUBLIC UTILITIES COMMISSION

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

New issues and considerations have greatly increased the complexities of utility regulation. (Page 10)

Public Utilities Commissioners have heavy responsibilities under present day conditions. (Page 15)

While it would not be practicable to move the PUC headquarters to Sacramento at this time, the move should be made as soon as adequate facilities can be provided. (Page 16)

Public Utilities Commission staff should be headed by a full fledged executive officer. (Page 18)

- Amend the Code to make the Secretary the Executive Officer. (Page 20)

- Strengthen supervision of the Los Angeles Office. (Page 21)

Public Utilities Commission needs a much improved public information program.

- Provide leadership for a more comprehensive and imaginative program. (Page 23)

A research and planning capability is required, especially to cope with new issues. (Page 25)

- Establish a small well qualified unit reporting to the Executive Officer.

As a partial remedy for "regulatory lag" there should be an effective monitoring of formal proceedings. (Page 26)

- Establish a Formal Proceedings Monitoring Unit under the Executive Officer.

The Legal Division is well organized. (Page 28)

The Administrative Services Division should be strengthened.

- Transfer Reporting Unit to Examiners Division. (Page 32)

- Establish Management Systems Unit. (Page 35)

- Reorganize Office Services Branch. (Page 36)

- Transfer Electronic Data Processing from Transportation Division to Administrative Services Division. (Page 36)

The Examiners Division has an important and difficult role; its effectiveness can be facilitated by the following:

- Continue the use of other professions as well as attorneys and allow non-attorneys to compete for top positions. (Page 40)

- Adopt improved procedures on examiners' draft decisions. (Page 42)

- Relieve examiners from preparing routine ex parte decisions. (Page 45)

- The Secretary be authorized to sign orders of dismissal. (Page 47)

The Finance and Accounts Division needs greater flexibility is assigning staff.

- Reorganize the Division to allow more effective use of auditors and better coordination of finance functions. (Page 54)

The Utilities Division should improve its customer complaint service and make greater efforts toward more effective utilization of manpower on small water company matters. (Page 57)

- Strengthen customer representative staff organization and methods. (Page 57)

- Develop simplification of procedures on small water company matters. (Page 61)

There is a long standing practice of assigning engineers to accounting work. (Page 63)

- Chiefs of the Utilities Division and Finance and Accounts Division collaborate on a plan for a gradual shift of accounting work from the Utilities Division to the Finance and Accounts Division.

The Transportation Division needs to determine whether greater efforts should be devoted to railroad safety functions. (Page 69)

- Re-examine priorities in budget proposals on railroad safety manpower requirements.

New York (and a few smaller states) have transferred regulation of transportation from their public service commissions to their departments of transportation. (Page 71)

- Such a transfer is not advisable for California.

Regulation of Motor Transportation Brokers and For-Hire Vessels does not serve a public purpose.

- Repeal Code provisions so as to discontinue regulation. (Page 68)

Regulation of warehouses is no longer justified. (Page 72)

- Repeal Code provisions so as to discontinue regulation of warehouses.

Regulation of highway carriers of freight needs a comprehensive overhauling. (Page 74)

- Eliminate minimum rate system. Consolidate classes. (Page 83)
- Exempt carriers of unprocessed agricultural products and logs and operation of dump trucks. (Page 80)
- Adopt ICC provisions on routes. (Page 81)
- Adopt ICC definition of contract carrier. (Page 82)
- Modify entrance requirements. (Page 82)
- Make storage of household goods subject to regulation. (Page 84)
- Prevent holders of PUC permits or certificates from gaining profit from their transfer. (Page 86)

Use of special funds, such as the Transportation Rate Funds, is not sound fiscal policy. (Page 86)

- Abolish the Transportation Rate Fund and finance all regulation of transportation from the General Fund.

THE CALIFORNIA PUBLIC UTILITIES COMMISSION

Traditional Functions

The Public Utilities Commission is the State's most important regulatory body. It has broader powers and a greater economic impact on Californians than any other State agency. Its basic responsibility is the regulation of privately-owned utilities and transportation companies so that adequate public services are provided at rates which are just and reasonable both to the customers and to the companies' shareholders.

The Commission has been granted quasi-legislative and quasi-judicial powers. Its decisions are subject to limited review only by the State Supreme Court. Its basic powers are contained in Article XII of the State Constitution first adopted in 1911.

The classical reason for the regulation of public utilities is that each has been granted a monopoly free from competition, that government regulation is consequently necessary to assure to the public that rates are reasonable and that service is adequate. Regulation is exercised by the Federal Government as to inter-state services and by the states as to intra-state services.

The Commission regulates rates and service of more than 1500 privately-owned utilities and transportation companies including gas, electric, telephone, telegraph, water and sewer companies, railroads, motor vehicles carrying passengers or freight, warehousemen, wharfingers and pipeline

companies and in addition more than 18,000 highway carriers who have been awarded permits to transport property for hire. The Commission passes judgment on all operating changes proposed by regulated companies and changes in their financing structures and upon complaints made against them.

The Regulatory Process

The regulatory work is divided into two separate segments:

- The regulation of utilities
- The regulation of transportation

While there are some important differences in the characteristics of the enterprises and services regulated and the approach used in the two segments, the regulatory process in general consists of the following four elements:

1. Regulation of rates

Rates charged by utilities and transportation companies must be the lowest reasonable rates which are fair both to the customers and to the shareholders of the regulated companies. Regulation of rates is a most important phase of the Commission's duties. The basic process for considering an application for a complete rate increase, in somewhat over-simplified terms, involves the following factors:

- The verification of the rate-base; i.e., the depreciated cost of the plant and other assets dedicated to the public service.
- The determination of a fair rate of return on the rate base.
- The net operating revenues that will be required in a test year to produce the fair rate of return.

- A rate structure which will produce the required net operating revenues and allocate the charges among the several classes of users.

Every one of these factors can be controversial and involve a great deal of highly technical analysis and the application of informed judgment.

In some situations, where only a limited rate change is requested or where the utility or transportation company has very limited investment in facilities, the basic determination is the amount of revenues and expenses of a particular operation and the ratio of the expenses to the revenue.

Decisions on rate applications especially for a large utility involve a very complex formal proceeding, in which many days of public hearings are held and voluminous records of technical exhibits and testimony are gathered. Exhibit VII is a set of charts presenting a typical example of a large utility rate increase application proceeding which illustrates the complexity and time-consuming characteristics of the process.

The proceedings in rate matters for smaller utilities and transportation companies are much less complex and time consuming, but the same basic principles apply.

2. Service and facilities

Under this heading is the work involved in the determination of the adequacy of the facilities and services of the regulated utilities. The regulation of the issuance of stocks and bonds and of mergers and consolidations related to new and existing facilities is included.

3. Certification and licensing

Before a public utility can operate it must obtain a certification from the PUC that public convenience and necessity will be served. Certain highway carriers which are not typical public utilities must obtain permits to operate. Investigations are made to establish whether the applicants for certificates and permits meet the legal requirements.

4. Safety

This element of regulation includes establishing minimum standards in construction and operation of utility plants to promote health and safety of employees and the public. The safety of rapid transit and railroad operations and grade crossing safety are important components.

In addition the Commission has an important but little used function: the determination of just compensation in certain eminent domain cases in which political subdivisions seek to acquire property of a public utility.

Present Organization

The Commission is made up of five members appointed by the Governor, with the consent of the Senate. The appointments are made for terms of six years with overlapping terms. The Commissioners elect one of their number president. The President presides at all meetings and sessions of the Commission. A decision signed by three commissioners becomes the official act of the Commission. A commissioner who disagrees with the majority may issue a dissent if he desires.

The President is also designated the Commission's Chief Executive and Administrative Officer. In this role he organizes and supervises the activities of the staff made up of approximately 800 engineers, rate and safety experts, accountants, attorneys and clericals. The Commission appoints a Secretary exempt from civil service to assist the President in coordinating operations of the Commission and to relieve Commission members of administrative detail. The Commission also appoints a General Counsel exempt from civil service.

The staff is organized in six divisions. (Chart I shows the present organization.) Three divisions, Utilities, Transportation, and Finance and Accounts, known as operating Divisions, manage programs of continuing surveillance, make studies of regulated companies, and provide expert testimony and recommendations on rate, safety, certificate, and financing proceedings before the commission. There are three support divisions, Examiners, Legal, and Administrative to conduct hearings and to provide legal and administrative services, respectively.

Division chiefs nominally report to the Secretary concerning their duties and job performance (except as to the relationship of attorney and client, which exists between the General Counsel and members of the Commission).

The Commission's headquarters are in San Francisco and a major branch office is maintained in Los Angeles. The Transportation Division has field offices in fourteen cities which conduct a program of compliance and enforcement dealing with truck operators. Outside their speciality, these field offices also offer some general information about the Commission, direct inquiries

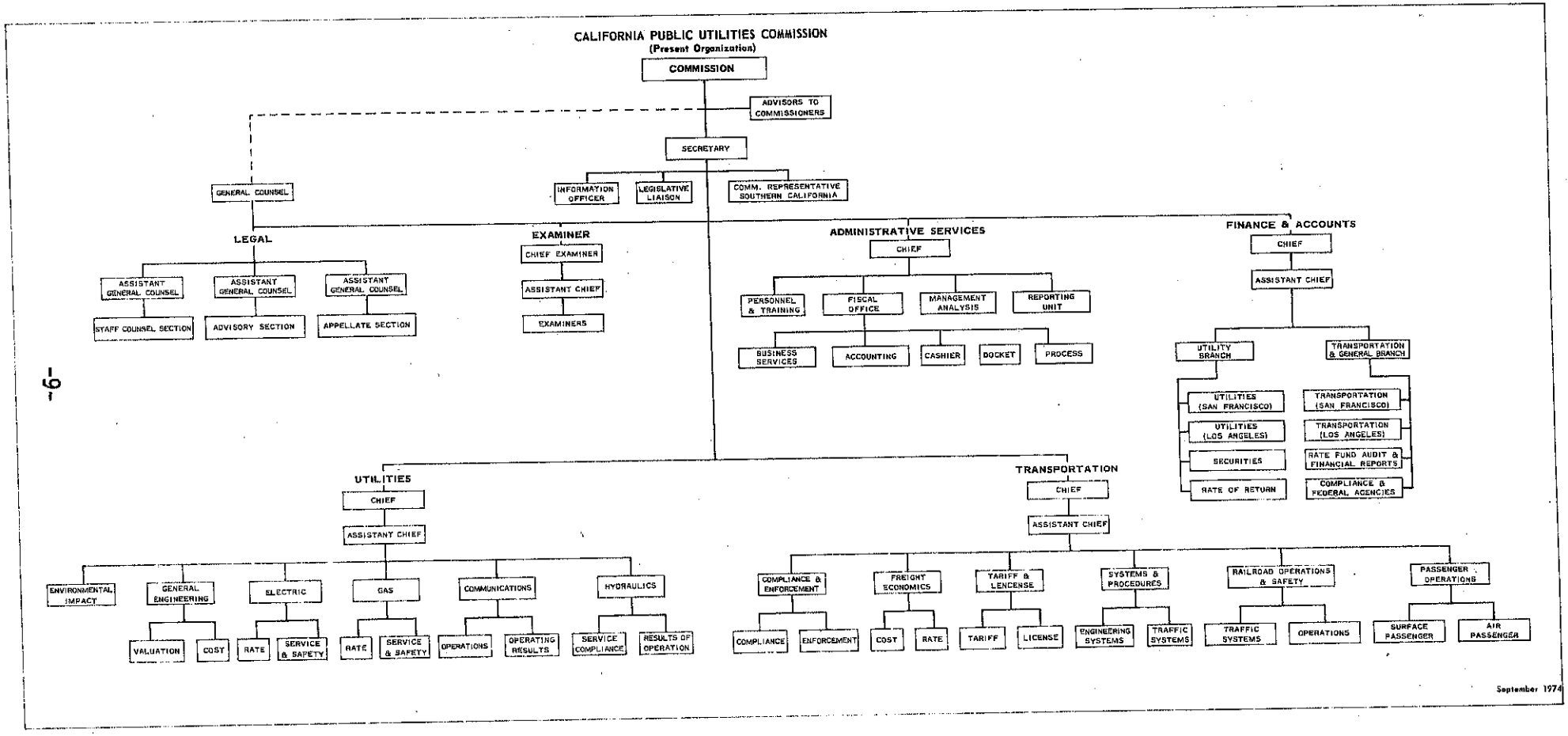

CALIFORNIA PUBLIC UTILITIES COMMISSION
(Present Organization)
COMMISSION
ADVISORS TO COMMISSIONERS
SECRETARY
GENERAL COUNSEL
INFORMATION OFFICER
LEGISLATIVE LIAISON
COMM. REPRESENTATIVE SOUTHERN CALIFORNIA
LEGAL
ASSISTANT GENERAL COUNSEL
ASSISTANT GENERAL COUNSEL
ASSISTANT GENERAL COUNSEL
STAFF COUNSEL SECTION
ADVISORY SECTION
APPELLATE SECTION
EXAMINER
CHIEF EXAMINER
ASSISTANT CHIEF
EXAMINERS
ADMINISTRATIVE SERVICES
CHIEF
PERSONNEL & TRAINING
FISCAL OFFICE
MANAGEMENT ANALYSIS
REPORTING UNIT
BUSINESS SERVICES
ACCOUNTING
CASHIER
DOCKET
PROCESS
FINANCE & ACCOUNTS
CHIEF
ASSISTANT CHIEF
UTILITY BRANCH
TRANSPORTATION & GENERAL BRANCH
UTILITIES (SAN FRANCISCO)
UTILITIES (LOS ANGELES)
SECURITIES
RATE OF RETURN
TRANSPORTATION (SAN FRANCISCO)
TRANSPORTATION (LOS ANGELES)
RATE FUND AUDIT & FINANCIAL REPORTS
COMPLIANCE & FEDERAL AGENCIES
UTILITIES
CHIEF
ASSISTANT CHIEF
ENVIRONMENTAL IMPACT
GENERAL ENGINEERING
ELECTRIC
GAS
COMMUNICATIONS
HYDRAULICS
VALUATION
COST
RATE
SERVICE & SAFETY
RATE
SERVICE & SAFETY
OPERATIONS
OPERATING RESULTS
SERVICE COMPLIANCE
RESULTS OF OPERATION
TRANSPORTATION
CHIEF
ASSISTANT CHIEF
COMPLIANCE & ENFORCEMENT
FREIGHT ECONOMICS
TARIFF & LENCENSE
SYSTEMS & PROCEDURES
RAILROAD OPERATIONS & SAFETY
PASSENGER OPERATIONS
COMPLIANCE
ENFORCEMENT
COST
RATE
TARIFF
LICENSE
ENGINEERING SYSTEMS
TRAFFIC SYSTEMS
TRAFFIC SYSTEMS
OPERATIONS
SURFACE PASSENGER
AIR PASSENGER
September 1974

CHART I

to San Francisco or Los Angeles, and receive informal complaints.

The organizational structure of the PUC as proposed in this study is shown in Chart II.

NEW ISSUES AND CONSIDERATIONS

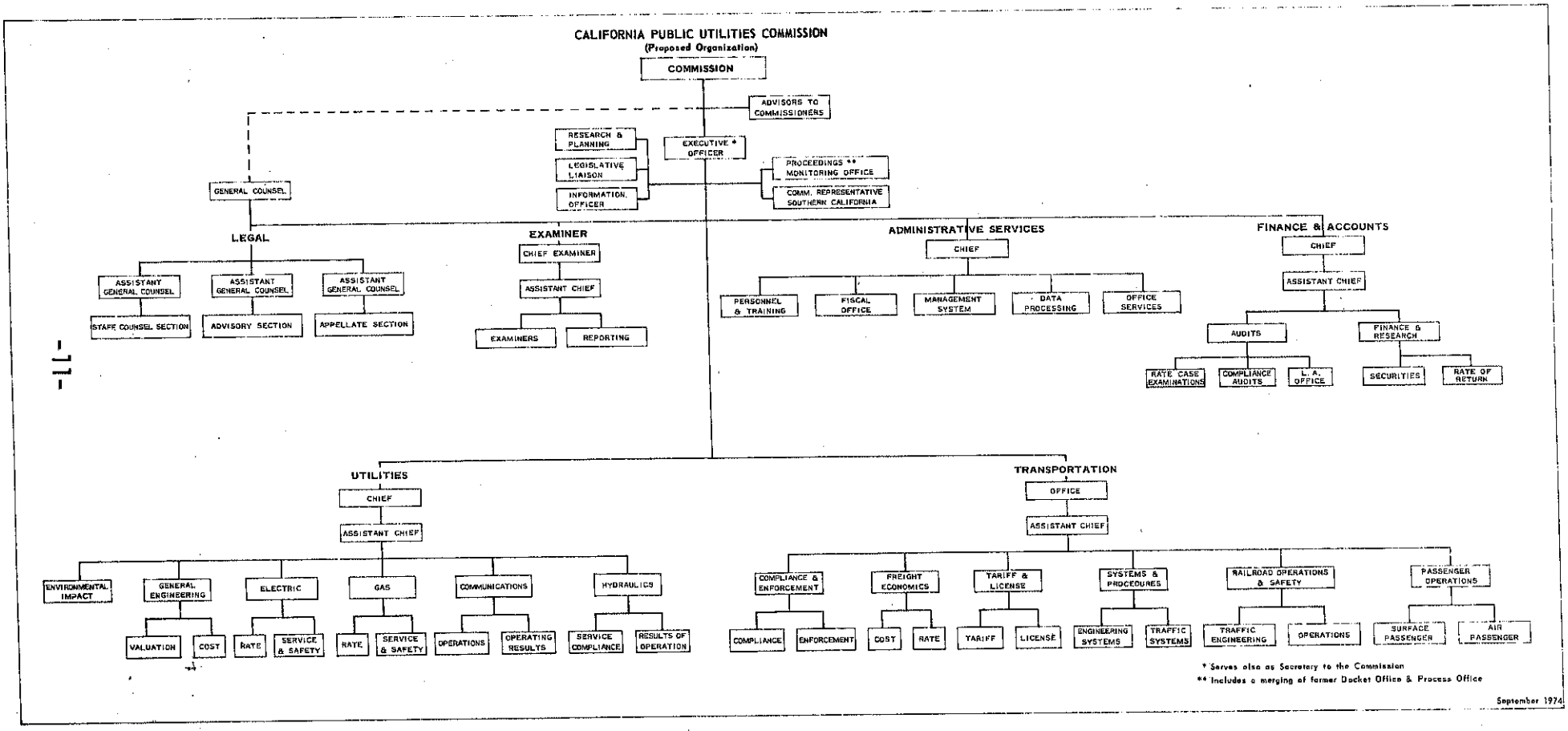
A number of recent developments have had a substantial impact on utility regulation not only in California where the problems are especially acute, but nationwide. The most important are:

- The energy shortage
- Inflation
- Concern for the environment
- Public participation

Inflation is not a new issue; it has had its influence on rate fixing during previous periods of heavy price increases. The others are relatively new. A brief discussion of these issues follows.

The Energy Shortage

The energy shortage which has been developing for a long time and which was brought dramatically to public awareness by the Arab oil embargo has had a very great impact on the regulation of utilities, particularly the electric utilities. The abundance of natural gas at low prices which California had enjoyed for many years came to an abrupt end. It was necessary for the electric utilities to convert to more expensive fuels, mainly oil which


CALIFORNIA PUBLIC UTILITIES COMMISSION
(Proposed Organization)
COMMISSION
ADVISORS TO COMMISSIONERS
RESEARCH & PLANNING
LEGISLATIVE LIAISON
INFORMATION OFFICER
EXECUTIVE * OFFICER
PROCEEDINGS ** MONITORING OFFICE
COMM. REPRESENTATIVE SOUTHERN CALIFORNIA
GENERAL COUNSEL
LEGAL
ASSISTANT GENERAL COUNSEL
ASSISTANT GENERAL COUNSEL
ASSISTANT GENERAL COUNSEL
STAFF COUNSEL SECTION
ADVISORY SECTION
APPELLATE SECTION
EXAMINER
CHIEF EXAMINER
ASSISTANT CHIEF
EXAMINERS
REPORTING
ADMINISTRATIVE SERVICES
CHIEF
PERSONNEL & TRAINING
FISCAL OFFICE
MANAGEMENT SYSTEM
DATA PROCESSING
OFFICE SERVICES
FINANCE & ACCOUNTS
CHIEF
ASSISTANT CHIEF
AUDITS
FINANCE & RESEARCH
RATE CASE EXAMINATIONS
COMPLIANCE AUDITS
L. A. OFFICE
SECURITIES
RATE OF RETURN
UTILITIES
CHIEF
ASSISTANT CHIEF
ENVIRONMENTAL IMPACT
GENERAL ENGINEERING
VALUATION
COST
ELECTRIC
RATE
SERVICE & SAFETY
GAS
RATE
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HYDRAULICS
SERVICE COMPLIANCE
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COMPLIANCE
ENFORCEMENT
FREIGHT ECONOMICS
COST
RATE
TARIFF & LICENSE
TARIFF
LICENSE
SYSTEMS & PROCEDURES
ENGINEERING SYSTEMS
TRAFFIC SYSTEMS
RAILROAD OPERATIONS & SAFETY
TRAFFIC ENGINEERING
OPERATIONS
PASSENGER OPERATIONS
SURFACE PASSENGER
AIR PASSENGER
* Serves also as Secretary to the Commission
** Includes a merging of former Docket Office & Process Office
September 1974

CHART II

had greatly increased in price. Applications to increase rates inevitably followed. The energy issue affected utility regulation in other ways. There was the necessity not only to consider rate increases justified by increased costs; new considerations came into play. Utilities were required to institute energy conservation measures and to refrain from advertising and promotion designed to increase the use of energy. There was increasing pressure to modify rate structures. Traditionally, rates were so designed that the rates per kilowatt hour diminished as the consumption by the customer increased. It is now urged that such a structure encourages improvident energy consumption, that rate structures should be flattened (i.e., with more nearly or actually the same unit price regardless of volume consumed) or even inverted (with increased unit prices as consumption increases) in the interest of conserving energy.

The PUC initiated searching inquiries into the energy shortage problem as it related to electric utilities. These investigations pointed up clearly that increasing usage of energy cannot continue unabated; that the best and most economic supplies will fail to meet demands and that this issue will continue to be a fundamental problem in utility regulation, especially electric and gas utilities, in the foreseeable future.

The Legislature in the 1973-74 session, gave extensive consideration to the energy shortage issue. It concluded that there was need to establish a separate State agency with broad powers to deal with the energy problem, especially in relation to electric energy. It enacted the "Warren-Alquist State Energy Resources Conservation and Development Act" which established

the State Energy Resources Conservation and Development Commission with the following principal responsibilities:

- Certify sites for electric power facilities
- Forecast energy demand and supply
- Develop and coordinate a program of research
- Recommend energy conservation measures
- Prescribe standards for building insulation
- Prescribe standards for appliance efficiency

It is clear that some of the responsibilities of the new Commission will have an important bearing on the functioning of the PUC. PUC will no longer have exclusive jurisdiction over the siting of electric power plants. In general the work of the Energy Commission will have a significant impact on the factors affecting rate determinations by PUC for electric utilities. Close coordination between the two State agencies will be absolutely essential.

Inflation

Inflation, by increasing both operating costs and costs of new plants, makes it necessary to grant increases in utility rates. Another current factor not nearly so prevalent in early periods of heavy price increases is the dramatic escalation of interest rates. Utilities depend heavily on long-term borrowing to raise capital for new plant and facilities. As new bonds are issued both for new plant and to replace maturing issues which carry much lower interest rates there is a tremendous increase in interest expense

paid by utilities which has a heavy impact on the operating cost and rate of return factors affecting utility rates.

Concern for the Environment

The question of possible adverse effects on the environment by utility plants and facilities is a relatively recent issue. A growing concern, however, has developed in connection with such things as siting of electric generation plants and the placement of transmission lines. The California Environmental Quality Act of 1971 requires that the PUC prepare an environmental impact report for all new plant projects under its jurisdiction. A special branch has been created in the PUC Utilities Division to perform this work which is supported by special fees paid by the utility companies. Whether this activity will be taken over completely by the new Energy Commission is not clear at this time.

Public Participation

In these days of frequent and heavy increases in utility rates it is to be expected that consumer representation in PUC matters becomes more important and more demanding. The representatives of consumers as well as other interested parties such as representatives of environmental protection organizations must be given a full opportunity to be heard in formal proceedings and their positions must be fully evaluated where rate increases and other important aspects of regulations are being considered; they must be furnished with data and explanations of the bases for PUC decisions.

All of these new developments, these critical new issues and considerations have a very great impact on utility regulation and will continue to add to the complexities and volume of the PUC workload. They make it much more difficult to expedite proceedings and to cope with "regulatory lag".

HEAVY RESPONSIBILITIES OF PUBLIC UTILITIES COMMISSIONERS

In view of current acute problems and the increasing difficulty of utility regulation, a Public Utilities Commissioner today has a much heavier set of responsibilities than did his counterpart in the past when economic conditions were stable and the new issues above discussed had not yet emerged. The Commissioner of the past enjoyed one of the most prestigious appointments at the Governor's disposal; his workload both as to volume and complexity was then much lighter and could be accomplished at a much more leisurely pace; since very few rate increases were necessary, the PUC was not a target of criticism as it is today.

A newly appointed Public Utilities Commissioner under present conditions faces a great challenge just to become acquainted with his duties and responsibilities, their intricate technical aspects and their most important ramifications in terms of the impact of the Commission's decisions on the people of the State. If the PUC should approve utilities rates which are unreasonably high the consumers already burdened with high prices would unfairly suffer still heavier burdens and the shareholders of the utility companies would be unjustly enriched. Conversely, if the PUC fails to

allow a fair rate of return on the companies' investments so that they can meet their obligations and finance new facilities the entire utility industry (as the Secretary of the Treasury recently warned a group of state public utilities commissioners) would soon collapse with dire consequences to the whole economy and to the continued flow of utility services.

It should be impressed upon a prospective new appointee that membership on the Public Utilities Commission involves hard work and tremendous responsibilities in terms of the public welfare.

LOCATION OF PUC HEADQUARTERS

Section 306 of the Public Utilities Code provides that "The Office of the Commission shall be in the City and County of San Francisco"; this provision dates back to the establishment of the Railroad Commission in 1911.

There have been a number of proposals, over the years, to move the Commission headquarters to Sacramento, none of which advanced very far in the Legislature.

It has been argued that a move to the State Capitol would have these advantages: The Public Utilities Commission would have better coordination with other agencies of State government. This would include the service and control agencies such as the Departments of Finance and General Services and the Personnel Board. Recruitment would be facilitated in Sacramento where outside pay rates are not as high or competition with

private industry and other governmental agencies as great as in San Francisco. There is a larger labor market among state workers in Sacramento and interagency rotation and promotional opportunities are greater. There would also be better opportunities for PUC management personnel to be attuned to improved methods and training programs being developed in the State service. Opportunities for coordination with other agencies with functions related to the PUC functions such as the Department of Transportation and the new Energy Commission would be facilitated. It is also argued that if located in Sacramento the PUC would be less isolated and more readily available to scrutiny by the Legislature, the Governor, and the news media.

The main arguments made against the move are two-fold. First, it has been said that San Francisco is a more logical and convenient location because it is where most of the large companies regulated by the PUC have their head offices. (This may have been true many years ago but today there are more of the large companies with head offices in Southern California). The second objection is primarily a matter of logistics both as to the State and as to the PUC staff. The move would be quite disruptive to the staff and doubtless some employees would find other employment rather than move.

We believe, however, that for the long term, the advantages of making the move to Sacramento substantially outweigh the disadvantages, which are largely temporary.

RECOMMENDATION

THE CODE BE AMENDED TO PERMIT THE MOVE AND THAT THE PUC HEADQUARTERS BE MOVED TO SACRAMENTO AS SOON AS ADEQUATE OFFICE FACILITIES CAN BE PROVIDED.

EXECUTIVE MANAGEMENT

Section 305 of the Public Utilities Code provides:

> "The commissioners shall elect one of their number president of the commission. The president shall be the executive and administrative head of the commission. He shall preside at all meetings and sessions of the commission and shall organize, coordinate, supervise and direct the operations and affairs of the commission in such a manner as to prevent delay and promote the expeditious and efficient disposition of all matters within the Commission's jurisdiction." Former Sec. 3(a), last sent. Amended 1969, Ch. 717.)

We believe that the 1969 amendment went too far in imposing purely administrative duties on the president. The president has very heavy responsibilities for presiding over the quasi-legislative and quasi-judicial functions of the Commission, for leadership in developing the broad policies of the Commission and for representing the Commission before the Legislature, other public bodies and the general public. He should not be burdened also with the day-to-day administrative affairs involved in the direction and management of a staff of approximately 800 employees. Further, the practice of rotating the presidency among the Commission members for one or two year terms does not promote continuity of administrative policy and practices.

Moreover there is a lack of central direction of the operating divisions; each tends to function as a separate entity. While the Secretary of the Commission performs general administrative functions there is no clear-cut delegation of responsibility for leadership and direction to a single officer subordinate to the President. What is needed is an executive officer

responsible to the president and the Commission who is clearly responsible for direction and management of the staff. The relationship of such an officer to the president of the Commission should be analogous to the relationship between a 'strong' mayor and a city manager in city government.

The executive officer should serve at the pleasure of the Commission. The law provides that the Secretary of the Commission is exempt from civil service and serves at the pleasure of the Commission. To a degree the Secretary is now responsible for overall administration and this office is the logical one to strengthen and to rename "Executive Officer" in order that it function as the administrative executive officer and appointing power of the Commission; the executive officer would continue to perform the ministerial duties of Secretary to the Commission. Consistent with the recommendation on this matter, we are recommending that the following new units be placed under the direction of the Executive Officer, either directly or as additions to the Administrative Services Division which now reports to him:

- A Research and Planning Unit
- A Proceedings Monitoring Unit
- An Electronic Data Processing Unit
- A Strengthened Management Systems Unit

There is a very important special situation in relation to the management of the staff of the PUC which does not apply to a typical State agency engaged primarily in an operating function. The PUC performs, especially in its

rate regulation responsibility, a quasi-legislative function (which has some aspects of a judicial function) involving formal proceedings in which it is essential that staff members present objective technical opinions, recommendations and testimony. The form of top supervision of technical staff must be such that the professional independence in presenting opinions, recommendations and testimony is preserved.

RECOMMENDATION

THE OFFICE OF SECRETARY OF THE COMMISSION BE ENTITLED "EXECUTIVE OFFICER" AND BE DELEGATED THE DUTIES AND RESPONSIBILITIES OF ADMINISTRATIVE EXECUTIVE OFFICER OF THE COMMISSION AND THAT SECTIONS 305 AND 308 OF THE PUBLIC UTILITIES CODE BE AMENDED ACCORDINGLY.

Signature Authority

All official correspondence of the PUC must now be signed by the Secretary of the Commission or the Commission's Representative in Los Angeles for similar correspondence originating in the Los Angeles Office. The present Secretary signs approximately 100 pieces of correspondence a day. In addition to the correspondence, he must sign all resolutions, certifications of order, subpoenas, reports, and other material. A rubber stamp of the Secretary's signature is used on much of the correspondence in his absence. In addition, in his absence, others are authorized to sign official documents in the following order:

1. Chief of Administrative Services
2. Personnel Officer
3. Fiscal Officer

The requirement that the Secretary sign all outgoing correspondence not only consumes a great deal of the Secretary's time but creates additional problems. For example, response (via telephone as well as in writing) to the Secretary's correspondence is often directed back to him though it actually pertains to the work of another individual in the organization. This, in turn, consumes more of the Secretary's time.

It is estimated that as much as 80 percent of the correspondence presently signed by the Secretary could better be signed by subordinate staff members.

Although important correspondence should be signed by the Secretary, it would save time and staff effort, as well as eliminate communication problems, if routine or technical correspondence were signed at the appropriate level in the various divisions. The same conclusion would apply to correspondence signed by the Commission Representative in the Los Angeles Office.

RECOMMENDATION

PROCEDURES BE ESTABLISHED SO THAT STAFF MEMBERS BE AUTHORIZED TO SIGN CORRESPONDENCE IN ACCORDANCE WITH THEIR RESPONSIBILITIES AND THAT THE SECRETARY OR THE PROPOSED EXECUTIVE OFFICER BE RELIEVED OF SIGNING DUTIES ACCORDINGLY.

Los Angeles Office

The Los Angeles office has approximately 140 employees representing all of the headquarters divisions except legal. Legal questions are handled by telephone to headquarters and an attorney is sent to Los Angeles on

individual cases as and when needed. The office is ostensibly under the direction of a Commission Representative who reports to the Commission Secretary, although, in fact, most of the employees report to respective division or branch chiefs at headquarters.

The Los Angeles office contains 43 employees in the Transportation Division, 25 in Utilities, 8 in Finance and Accounts, 6 Examiners, a reporting section of 10 and 29 (predominantly clerical) in the Administrative Division. Additionally, the Los Angeles office has its own Information Officer. Functions performed are similar in most respects to those at headquarters. The geographical territory covered by the Los Angeles office varies considerably depending upon the division. On major utility rate cases there is generally an augmentation of staff provided by headquarters.

There are a number of problems associated with the Los Angeles office which we believe need correcting. One of the major problems is the poorly defined role of the Commission Representative who is in charge of the office. Basically, he is held accountable for the actions of employees over whom he has neither direct nor indirect authority. Moreover, there is a questionable practice of requiring him to be away from the Los Angeles office two days a week in order to attend Commission meetings in San Francisco; during these absences there is no person designated to act in his place.

We believe there are sufficient reasons for maintaining headquarters divisional control over its Los Angeles employees and likewise a need for

coordination of their work. However, there would be greater coordination if the Commission Representative had a much stronger administrative role and at least administrative supervision over the Los Angeles staff.

RECOMMENDATION

THE COMMISSION REPRESENTATIVE IN LOS ANGELES:

- HAVE ADMINISTRATIVE SUPERVISORY RESPONSIBILITY OVER ALL THE LOS ANGELES PERSONNEL, WITH THE AUTHORITY TO REVIEW EMPLOYEE PERFORMANCE REPORTS, VACATION AND SICK LEAVE REQUESTS, AND OTHER BASICALLY ADMINISTRATIVE MATTERS.
- DESIGNATE, TRAIN AND DEVELOP PERSONNEL TO PERFORM FOR HIM IN HIS ABSENCE.
- BE RELIEVED OF ATTENDING COMMISSION MEETINGS ON A REGULAR BASIS RATHER THAN "AS NEEDED" BASIS.
- BE ACCOUNTABLE FOR DEVELOPING FOR THE PROPOSED EXECUTIVE OFFICER, SHORT AND LONG-RANGE OBJECTIVES FOR IMPROVING THE DAY-TO-DAY OPERATIONS OF THE LOS ANGELES OFFICE, WITH INPUT FROM HEADQUARTERS MANAGERS AND LOS ANGELES EMPLOYEES.

PUBLIC INFORMATION PROGRAM

In these days of repeated and heavy utility rate increases utility regulatory bodies throughout the nation find themselves under criticism. It is understandable that consumers resent the ever-increasing costs of utility services and blame the regulatory agencies. The California Public Utilities Commission has received its share of blame and criticism.

There are differences of opinion as to the extent to which the criticism is valid. It is apparent, however, that the PUC is badly in need of a much

more effective public information program. The average citizen is given almost no information concerning how utility rates are determined. He reads in the press or hears via the electronic media that the PUC has granted the 'X' Utility Company an increase in rates aggregating 'X' million dollars and that his own electric, gas or telephone bill will be increased by 'X' percent. He is given very little, if any, information about the bases for the increase or about the very exhaustive and highly technical fact-finding procedure that was conducted to determine whether the increase was justified by the economic facts and by the law. He is not told of the days of public hearings and the voluminous evidence and testimony that was considered in the rate matter; that these procedures are conducted by dedicated public servants who truly represent the public interest.

The PUC has a public information office consisting of two public information officers, one in San Francisco and one in Los Angeles. They perform the customary duties of preparing and disseminating news releases, acting as spokesmen for the PUC to news media and the like. The press releases follow a conventional pattern which seems to be dictated by a desire to highlight the bad which is newsworthy and to forget the good which is not interesting.

We believe that there is a great deal of good to be told about the utility regulatory process and about the job that is being done to protect the consumers. The public information program should not be of the kind sometimes found in government, concerned chiefly with improving the image

of the responsible politicians. It should be one that gives the public the full facts in a manner and style that will attract interest and public attention. Such a program will require imagination and a new approach. We believe that it is most essential and could succeed with the proper leadership.

The PUC has a highly competent and dedicated staff. The public relations office should make greater effort to collaborate with the staff in developing the public information program.

RECOMMENDATION

THE PUC PUBLIC INFORMATION OFFICE BE STRENGTHENED BY PROVIDING LEADERSHIP FOR A MUCH MORE COMPREHENSIVE AND IMAGINATIVE PROGRAM AS DISCUSSED ABOVE.

RESEARCH AND PLANNING

The California Public Utilities Commission has over the years enjoyed an outstanding reputation among state regulatory agencies as to the quality of its work in the traditional regulation of utilities and transportation. It has lagged behind some of the leading states, however, in recent years in developing a planning and research capability. It has been critized by consumer organizations and legislative committees for failure to foresee and plan for new developments, for such vital issues as the energy shortage and the increasing concern for protecting the environment. This criticism may have been a factor in the Legislature's action in creating the new

State Energy Resources Conservation and Development Commission, rather than assigning the responsibilities for developing public policy regarding the supply and use of energy to the PUC. While the new Commission will have the primary responsibility for forecasting and research in developing the energy policies, it will be essential for the PUC to have technically qualified staff to assist in coordinating the PUC regulatory functions with the work of the new Commission. There is need, in addition to the energy issue, for overall research and planning encompassing the entire gamut of PUC responsibilities. Ideally the PUC should have a small, highly-qualified staff with expertise in economics and with basic knowledge and understanding of the utility and transportation regulatory functions. A system of assigning staff members from the operating divisions to work with the economists on a rotation schedule would be a means of obtaining the desirable mix of skills and experience. (Appendixes I and II are descriptions of the research and planning units of the New York and Michigan Public Service Commissions.)

RECOMMENDATION

A SMALL HIGHLY-QUALIFIED OFFICE OF RESEARCH AND PLANNING BE ESTABLISHED, REPORTING TO PROPOSED EXECUTIVE OFFICER.

FORMAL PROCEEDINGS MONITORING UNIT

A major criticism of the PUC is the excessive time taken to complete formal proceedings, particularly those concerned with applications for rate increases. In the proceedings on Application 53488, illustrated in

Appendix VII, for example, the application was filed August 1, 1972; the matter was not finally resolved until April 17, 1974 when the State Supreme Court denied a petition for review. A tabulation of the processing time consumed in ten of the recently completed large utility rate matters showed that there was an average of 402 elapsed days from the time of filing the application to the final disposition and effective dates of the new rates. This "regulatory lag" is the cause of much complaint. As previously pointed out the increasing complexity of rate determination and the participation of intervenors unavoidably lengthen the proceedings. We believe, however, that improved coordination and direction can remedy the lag to a considerable extent.

Because there are several divisions engaged in these proceedings each concerned primarily with its own separate function there is no one charged with the responsibility to expedite the matter except the assigned Commissioner who has limited time and opportunity to deal with the many current proceedings.

What is needed is a single top level staff member with responsibility for monitoring all formal proceedings, to identify causes of unnecessary delays and with sufficient stature in the organization to bring about measures to expedite the proceedings. An important duty should be a continuous analysis of the procedures to develop improvements without restricting the rights of any interested party. The Commission is of the view, for example, that the process could be expedited if the hearing time would be increased from the present practice of four hours per day.

The Monitoring Unit should see that there is adequate provision for reporters, transcribers and clerical help. The unit should also conduct a study on the feasibility of adopting in California the procedure used by the Federal Power Commission whereby applications for increases in rates become effective in six months if not acted upon within that time subject to refunds if later partially or wholly disallowed.

To assist in carrying out the functions of a needed Formal Proceedings Monitoring Unit, the present Docket and Processing Offices should be merged into a single sub-unit.

These two units are essentially clerical in nature and are directly concerned with administrative aspects of official filings, scheduling of hearings, and Commission decisions. A merging of these two units would enable a sharing of staff and equipment in handling voluminous paperwork, help eliminate duplicated effort, and provide for a general streamlining of operations.

RECOMMENDATION

A FORMAL PROCEEDINGS MONITORING UNIT, REPORTING TO THE PROPOSED EXECUTIVE OFFICER, BE ESTABLISHED WHICH CONTAINS A MERGED DOCKET OFFICE AND PROCESSING OFFICE, AND PROVIDES UP-TO-DATE FEEDBACK ON THE DATES AND PROGRESS OF CASES REQUIRING FORMAL HEARINGS. APPENDIX III DESCRIBES PROPOSED FUNCTIONS AND STAFFING OF SUCH A UNIT.

LEGAL DIVISION

The Legal Division is divided into three distinct sections: (1) the Advisory Section acts as house counsel, advises commission members and staff, prepares various orders, resolutions and correspondence, and is responsible for the internal administrative operation of the division; (2) the Staff

Section represents the staff viewpoint at hearings before the Commission; and (3) the Appellate Section represents the Commission in matters before other regulatory agencies or in the courts.

Two years ago the staff was organized in the present three sections approximately to cover the three distinct functions covered above. Each section chief has both the administrative and functional supervision over his section. This desirable division of responsibility is being given emphasis by the newly appointed General Counsel who has delegated to the Section Chiefs more administrative responsibilities.

Stenographic work in support of the three sections is provided by a pool. Secretaries are assigned only to the General Counsel and his three section chiefs.

The staff consists of 27 attorneys and 12 clerical employees. According to all section chiefs, the staff is sufficient to perform necessary tasks. The attorney/clerical ratio appears to be reasonable.

Attorneys who work in the Staff Section have an ambivalent position: it is not always clear who their client is. Obviously, the general members of the public cannot be regarded as clients, for no one can speak for the entire public. The publication of the General Counsel's office regarding the position of the Staff Counsel provides good general description of how staff counsel should view his role. The only client that the staff attorneys can have is the PUC staff. While the attorney should not hesitate to make legal recommendations to staff, the policy that the staff puts forward at the hearing is not necessarily a legal matter and should be established by the appropriate Division Chiefs or Section Heads.

The Advisory and Appellate Sections operate in a different sphere from the Staff Section and from each other. The Staff Section may in representing staff before the PUC take a position which will then be reviewed by the Advisory Section, acting in its House Counsel capacity, and finally be again reviewed by the Appellate Section if a Petition for Rehearing is filed or the matter is appealed. Each section seems comfortable in its respective role, and no duplication of effort was apparent.

The Public Utilities Commission is one of the few state agencies that is represented by its own counsel in court. Under Article XII, Section 22, of the California Constitution, the Commission has "judicial" powers and its decisions are appealable directly to the California Supreme Court (Public Utilities Code 1754). This opportunity for representation in court provides a favorable atmosphere for the development and promotion of attorneys, which in turn is reflected in the caliber of staff.

Over the years the PUC has an excellent record of being upheld by the courts. Considerable credit for this record can be claimed by the Legal Division. Also, the PUC has effectively represented California before the Federal Power Commission and other federal regulatory agencies.

Training. The General Counsel and the Examiners Division have collaborated in improving the legal sufficiency of the fact finding and decisional writing efforts of the Examiners Division. We believe that there is need for further collaboration in training examiners to become better presiding officers. We are informed that the California State Bar has a Conference

of Public Utility Counsels which could be helpful in this effort.

The General Counsel office has prepared a handbook for new attorneys. Most training, however, consists of on-the-job training. Because of the increase in the number of important rate cases before the Commission, necessarily younger members of the Staff Section have been given responsibility for representing the staff before the PUC. While there has been some criticism from consumer groups about the practice of assigning cases to some of the relatively younger members of the legal staff, we have seen no evidence that representation before the Commission has been inadequate. It seems obvious with the increased workload, more staff will have to become involved in important rate cases.

Petitions for Rehearing. There was some question of the procedure whereby an attorney from the Appellate Section is assigned to review the petition for rehearing, rather than the examiner who prepared the decision and was familiar with the hearing. However, we are convinced that the present procedure is well devised. First, not all petitions are assigned to an attorney for review. This legal review is limited to those petitions which are likely to be appealed to court. The attorney in the Appellate Section will represent the Commission in court so that by reviewing the petition he is given an opportunity to make a thorough review of the record, and he is given an opportunity to strengthen the decision by correcting mistakes or adding extra legal support for the decision. We are now convinced that the procedure is not only efficient but necessary. No time is wasted since the attorney would have to review the record when the matter went to court

anyway, while an opportunity is given to the lawyer who will represent the Commission before the court to strengthen its case.

PUC Hearings. Hearings are conducted in the normal administrative manner. Like most such hearings they have over the years become much more legalistic, since lawyers generally appear on behalf of one or more parties. However, there is an opportunity for informal presentations by protestants and other interested parties. It seems inadvisable to limit representation before the Commission to attorneys, since the PUC acts in a quasi-legislative as well as quasi-judicial role. The public should have the right of access to those who act in a quasi-legislative manner.

ADMINISTRATIVE SERVICES DIVISION

The Administrative Services Division performs general administrative functions and services for the PUC. These include accounting, budgeting, personnel and training, and certain office services (duplicating, central files, mail and messenger services and a stock room.) A Reporting Unit is staffed with reporters and transcribers who provide an official record of the proceedings at formal hearings. Also included in the division is the Docket Office which receives and records filings to the Commission and a Processing Office which handles notification of hearings and decisions. Charts showing the present organization of the division and proposed organization reflecting needed changes, as discussed below, follow.

Reporting Unit. The Reporting Unit actually operates as an auxilliary arm of the Examiner's Division. Formal hearings always require an examiner and

ADMINISTRATIVE SERVICES DIVISION

(Present Organization)

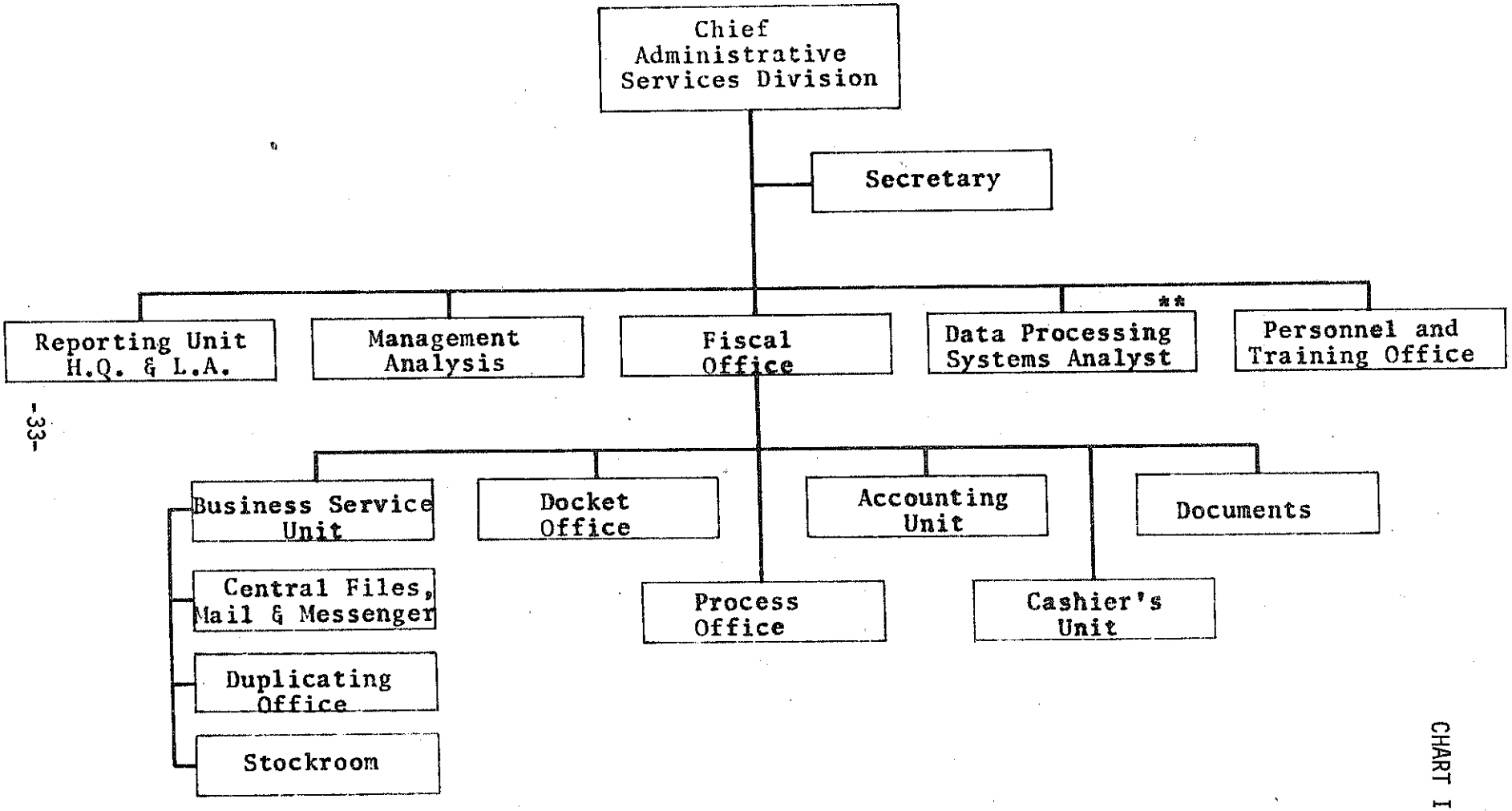


CHART III

** This unit has one position which is on loan to the Systems and Procedures Branch of the Transportation Division.

ADMINISTRATIVE SERVICES DIVISION

(Proposed Organization)

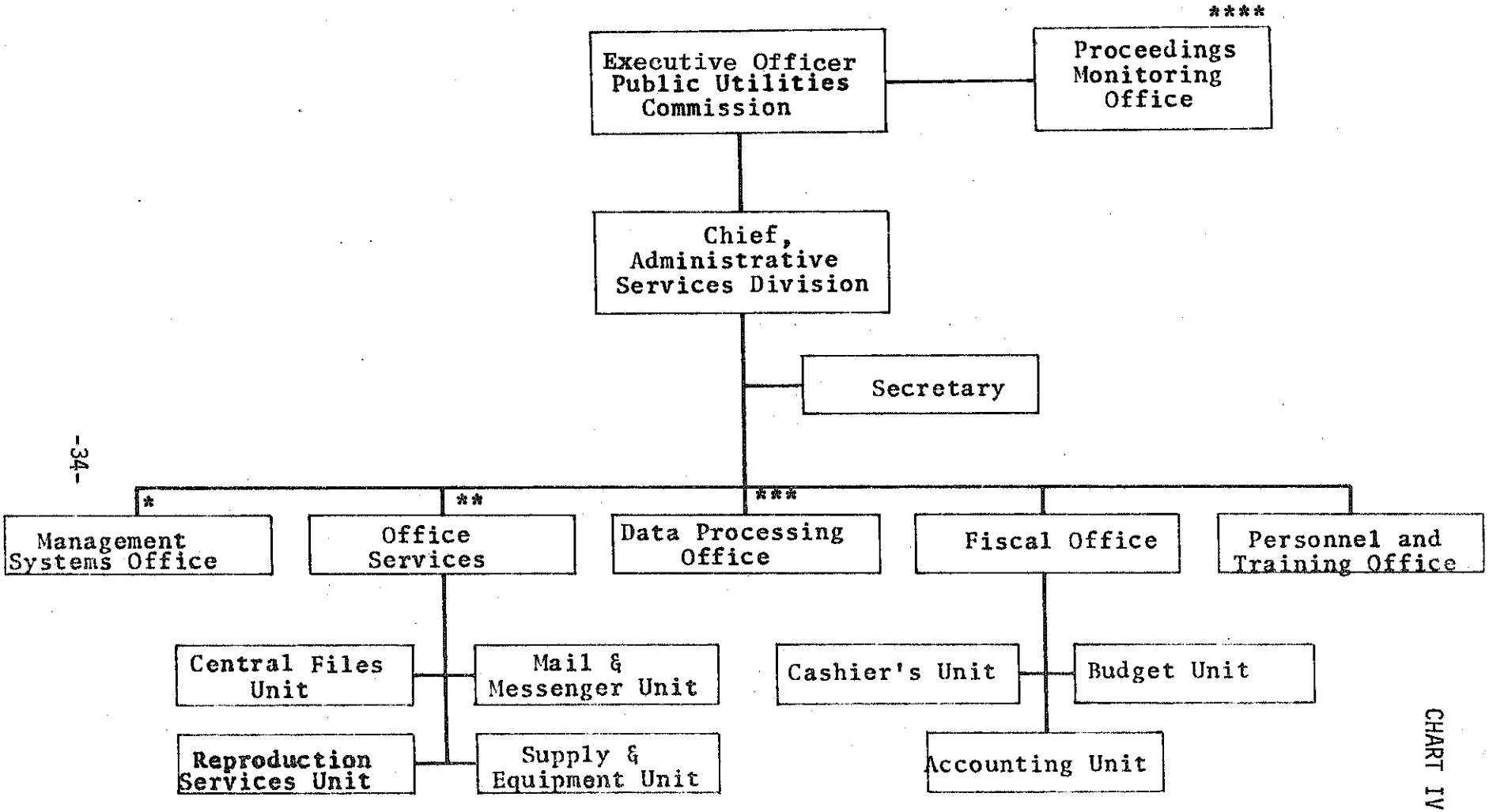


CHART IV

* New. See Exhibit IV for summary of functions and staffing.

** Reorganization and augmentation. See Exhibit V for a summary of changes.

*** Reorganization. See Exhibit VI for summary of changes.

**** New. (Represents a consolidation of the Dockets and Processing Offices.) See Exhibit III for a summary of functions and staffing.

a reporter, and it is the Examiner's Division, through its scheduling of hearings, which determines the workload of the Reporting Unit.

RECOMMENDATION

BECAUSE OF THE CLOSE FUNCTIONAL RELATIONSHIP AND THE NEED FOR COORDINATION IN SCHEDULING AND CONDUCTING HEARINGS, THE REPORTING UNIT BE TRANSFERRED FROM THE ADMINISTRATIVE SERVICES DIVISION TO THE EXAMINER"S DIVISION.

Management Systems Unit. There is an absence of adequate analytical staff to perform badly needed systems and procedural studies within PUC and to develop an effective paperwork management program (forms control, records management, report management, etc.) There is also a need for a policy manual which clearly states Commission policy on vital issues. The handbook on Rules of Practice and Procedure needs to be updated, rewritten for clarity, and properly indexed. In many instances, PUC office practices are the same as they were 30 years ago. For example, stencils are still used, a practice long abandoned by most governmental agencies. Most of the forms used are of out-dated design. The potential use of microfilm exists but is not being fully pursued. Also the questionable routing of voluminous, technical, routine, paperwork through the Secretary and Commission members consumes valuable time and badly needs streamlining. A small unit of analysts, knowledgeable and skilled in modern administrative principles and practices, could greatly streamline the operations of PUC and save an immense amount of money and time. Such a unit should, of course, have the complete backing of the Commission and top management in bringing about administrative reform.

RECOMMENDATION

A SMALL MANAGEMENT SYSTEMS UNIT BE ESTABLISHED IN THE ADMINISTRATIVE SERVICES DIVISION. (APPENDIX IV DETAILS THE PROPOSED FUNCTIONS AND STAFFING OF SUCH A UNIT.)

Office Services Unit. Some of the office service types of functions in PUC are fragmented. The Transportation Division has its own mail and reproduction unit which duplicates similar functions performed in the Business Service Unit. Moreover, in the Business Service Unit, incoming mail is handled by the mail room while outgoing mail is handled by the Reproduction Unit.

RECOMMENDATION

THE OFFICE SERVICES BRANCH OF THE ADMINISTRATIVE SERVICES DIVISION BE REORGANIZED AND THAT PUC MAIL AND REPRODUCTION SERVICES BE CONSOLIDATED. (APPENDIX V DETAILS THE CHANGES NEED IN THE FORMULATION OF A REORGANIZED OFFICE SERVICES BRANCH.)

Electronic Data Processing*. EDP operations are currently located in the Systems and Procedures Branch of the Transportation Division. Priority is given to transportation EDP problems to the exclusion of potential applications in other divisions. Since the computer is a tool having a wide departmental application in administrative and management, as well as in scientific and technical areas, it more properly belongs in the Administrative Services Division.

* This recommendation is based upon a detailed report to the Commission by an EDP specialist who made a complete review of the PUC electronic data processing operations; copies of that report have been made available to PUC staff.

RECOMMENDATION

EDP OPERATIONS BE TRANSFERRED FROM THE TRANSPORTATION DIVISION TO THE ADMINISTRATIVE SERVICES DIVISION. APPENDIX VI IDENTIFIES A SUMMARY OF NEEDED CHANGES WHEN SUCH A TRANSFER IS MADE.)

EXAMINERS DIVISION

Examiners Function. The Commission has both quasi-legislative and quasi-judicial powers to regulate privately owned utilities. The Examiners Division assists the five Commissioners by drafting decisions or orders relating to either or both judicial or legislative functions.

Prior to 1948 each operating division, Utilities, Transportation or Finance and Accounts, employed its own examiners. An Examiners Division was created in 1948 to provide independence and separation of examiners from staff serving as expert witnesses at hearings. Some examiners selected for the new division came from the operating divisions with a background as engineers or as rate experts. Others were attorneys selected from the Legal Division or elsewhere.

The division now has 26 examiners, a calendar clerk and secretarial and stenographic personnel. Fifteen examiners are attorneys, including the Chief Examiner and the Assistant Chief Examiner; six are engineers and five are rate experts. There are two particular areas of expertise among the non-attorneys--freight rates and radio-telephone communications.

An examiner's primary function is to receive evidence and prepare draft decisions for Commission consideration. He may hold public hearings to obtain the evidence required for preparation of a draft decision or he may handle a matter ex parte (i.e., without public hearings).

The Hearing Process. A matter goes to hearing depending on whether there is a controversy between two parties or an investigation is being made that requires public testimony. Most matters are of three general kinds:

Rule Making - a variety of viewpoints are sought from all parties concerned to prepare a proposed rule or general order establishing requirements or procedures with application to a class or group.

Complaints - the complaint and response are heard, together with the results of staff investigation, to arrive at a decision regarding relief.

Regulation - an application is analyzed in terms of need, service, and rates to arrive at a decision. The PUC staff takes an adversary role to protect the public interest in these applications.

In complex cases the examiner may call a pre-hearing conference to determine who the witnesses will be and to schedule hearing dates and places.

When a public hearing is required, an examiner from the Examiners Division acts as the Presiding Officer in virtually all cases. A Commissioner

may preside, but in recent years this has seldom occurred. In a few instances (four last year) the Director of Finance and Accounts Division acts as the Presiding Officer when hearings are required involving issuance of securities.

Public hearings are held for only a limited number of formal matters brought before the PUC for decision. Many formal matters filed are uncomplicated and uncontested and do not require hearings. Informal matters are always handled ex parte. When a matter is to be decided ex parte, someone outside the Examiners Division is frequently assigned as the examiner. Persons designated examiners for the purpose of preparing ex parte Commission decisions include the division chief and the assistant division chief of each operating division--Utilities, Transportation, and Finance and Accounts--together with their key branch chiefs, and the Deputy General Counsel. With the exception of the Chief of Finance and Accounts, as mentioned above, they do not hold public hearings. Of approximately 1600 decisions rendered per year on formal matters, only about 300 or one-fifth result from public hearings. Hearings are often held in various cities where customers are located which results in considerable travel for examiners and other PUC staff since there are numerous small, localized utilities and transportation companies.

Formal Filings. Matters brought before the PUC are of six different formal types and at least nine different informal types. All formal matters, also called filings, are assigned sequential docket numbers with an 'A' or 'C' prefix to indicate application or case.

Applications (formal) - filed by a regulated entity seeking PUC permission to operate a facility, to increase rates, to modify service, etc.

Complaints (formal) - filed by a person seeking specific relief.

Petition for Rehearing - filed by a party to a PUC decision seeking reconsideration.

Orders Instituting an Investigation (OII) - filed by the PUC on its own motion to develop information for rule making or to investigate some allegation.

Order Setting Hearing - filed by the PUC on its own motion to reopen hearings on a continuing matter such as a minimum rate case applicable industry-wide, rather than to one company only.

Shortened Procedure Tariff Docket - filed by common carriers to obtain minor, non-controversial rate increases.

Examiner's Qualifications. A difference of opinion exists among PUC staff as to whether all examiners should be attorneys. The principal justification given for having only attorneys as hearing examiners is that they must prepare decisions based on a evidentiary proceeding requiring due process and that attorneys are trained to conduct such proceedings.

It should be noted that some of the most important proceedings such as major rate applications, are quasi-legislative in nature rather than quasi-judicial. We find that non-attorneys are assigned some of the most difficult and complex matters and handle them well. Because of their expert knowledge of the complex issues involved, non-attorneys have demonstrated greater competence in presiding and decision writing in major rate cases.

On the other hand, some matters are more judicial in character, such as determining guilt and penalties in enforcement proceedings and in determining just compensation in utility condemnation matters. These are best assigned to examiners with legal training.

The examiner's responsibility as the presiding officer at a hearing extends to developing an adequate record so that a decision can be rendered which will secure adequate services at rates fair to both customers and shareholders. This requires application of expert knowledge as much as application of the judicial process. It is for this reason that PUC examiners are given broad powers and discretion in conducting hearings and are not bound by formal rules of evidence. As indicated under 'Legal Division' there should be a better training of examiners in presiding over hearings.

Hiring both attorneys and non-attorneys as examiners has given the PUC a desired range and balance of expertise required for the wide variety of hearings conducted. It has also provided very desirable growth and promotional opportunities for engineers and rate experts from the divisions. Since non-attorneys handle much of the most difficult work of an examiner they should

also be considered for supervisory positions in this division.

RECOMMENDATION

THE PUC CONTINUE ITS POLICY OF HIRING BOTH ATTORNEYS AND NON-ATTORNEYS AS EXAMINERS, AND, FURTHER THAT THE SPECIFICATIONS FOR CHIEF EXAMINER AND ASSISTANT CHIEF EXAMINER BE CHANGED TO ALLOW APPOINTMENT OF QUALIFIED NON-ATTORNEYS.

Preparation and Review of Draft Decisions. Two methods are now used to prepare decisions following hearings. Under one method the examiner prepares a 'proposed report' which is in the nature of an interim decision. He prepares the proposed report in final form and signs it and the report is given broad circulation. The examiner usually does not circulate a preliminary draft to others for comment. Examiners in writing proposed reports take responsibility for their own product. This method is used, however, only in the few instances when the examiner is specifically directed by the Commission to follow the proposed report procedure. Use of this procedure has generally been limited to rule making decisions where the Commission wants additional comment from affected parties on the specific language of the draft rule before making the rule effective.

The method commonly used to prepare and review decisions is to write an initial draft of a decision and circulate this draft to each of the divisions affected so they can make comments and suggestions. Typically the draft goes to either Transportation or Utilities depending on subject matter and to both Legal and Finance and Accounts. The operating divisions

review the draft for technical correctness, for merit of the decision based on the record, and conformance to policy. They may correct the draft, or if they disagree on an important issue, write a memorandum to Examiners Division. After considering other divisions' views, the examiner prepares and submits a recommended decision to the Commissioner assigned to the case. The assigned Commissioner can either accept the recommended decision or request the examiner to rewrite it. The decision is then placed on Commission calendar review and copies are sent to all five members of the Commission and each of the Divisions. If issues have not yet been resolved to the satisfaction of an operating division, it prepares a memorandum as a companion to the recommended decision expressing its disagreement and alternative positions. The Commission may, as a result, direct revision of the decision. The decision is then discussed at a Commission Conference and accepted or rejected by majority vote of the Commission.

Decisions made by this draft decision process are referred to as institutional decisions. The examiner's initial draft and any comments on that draft, as well as the recommended decision as it goes to the Assigned Commissioner, are kept from view of all interested parties except some PUC staff. Interested parties outside PUC have no way of knowing what the decision contains until finally issued. Moreover, only the one assigned Commissioner sees the examiner's initial draft decision, or the recommended decision prepared by the examiner after he receives comments from technical staff. The assigned Commissioner may direct the examiner to change materially either the draft decision or the recommended decision, in which case the

other four Commissioners do not get the benefit of seeing the recommendations as presented to the assigned Commissioner. The rationale here is that it is the assigned Commissioner's responsibility to develop a decision which he then recommends to the other four Commissioners. The examiner works under the assigned Commissioner's direction in preparing the decision. This rationale appears to have developed years ago on the premise that the assigned Commissioner would conduct important hearings or parts of hearings and receive first hand knowledge of the testimony received, but Commissioners have only rarely held hearings in recent years.

We believe the examiner should continue the practice of preparing an initial draft for circulation and comment by staff. Most of the changes in draft decisions suggested by operating divisions are technical or to correct errors. It is highly desirable to continue this draft correction practice so a recommended decision for consideration by the Commissioners is not burdened by drafting errors or incompleteness. However, the examiners recommended decision should become a matter of record, available to each Commissioner and other parties.

RECOMMENDATION

AN EXAMINER SUBMIT HIS RECOMMENDED DECISION IN EACH CASE TO ALL FIVE COMMISSION MEMBERS, AND TO THE APPLICANT OR OTHER PARTY IN THE PROCEEDING IN ACCORDANCE WITH THE PROCEDURES OUTLINED AS FOLLOWS:

- THE EXAMINER'S RECOMMENDED DECISION SHOULD BE MADE AVAILABLE TO PARTIES IMMEDIATELY CONCERNED IN THE PROCEEDING AT THE SAME TIME THAT IT IS SUBMITTED TO THE FIVE COMMISSIONERS.

- THE EXAMINER SHOULD BE GIVEN DISCRETION TO STIPULATE A PERIOD OF NOT LESS THAN 10 DAYS OR MORE THAN 30 DAYS, FOR THE PARTIES TO SUBMIT PROTESTS TO HIS RECOMMENDED DECISION. THE LENGTH OF TIME ALLOWED WOULD DEPEND ON THE NATURE OF THE CASE.

- THE COMMISSIONERS SHOULD RECEIVE COPIES OF ANY PROTESTS RECEIVED, TOGETHER WITH A RESOLUTION CALLING FOR ADOPTION OF THE EXAMINER'S RECOMMENDED DECISION.

- AT THE CLOSE OF THE 10 TO 30 DAYS ALLOWED FOR PROTESTS THE COMMISSIONERS BY MAJORITY VOTE WOULD EITHER (a) ADOPT THE DECISION BY RESOLUTION AS RECOMMENDED (b) REWRITE THE DECISION: OR (c) ORDER CONTINUATION OF THE MATTER TO OBTAIN FURTHER EVIDENCE.

Upon adoption of the decision, the existing rules which provide for petitions for rehearing would apply as they do now.

Ex Parte Matters. A Commissioner and an examiner are assigned to each formal matter and a list of assignments is prepared each week. Examiners from the Examiners Division are assigned to nearly all matters requiring hearings and to about half of the ex parte matters. Assignments to examiners in other divisions are made as follows:

- The Chief Examiner gets a copy of each formal filing. As he reviews each one he may determine that the matter can best be handled ex parte by one of the operating divisions and makes the assignment to an examiner in that division accordingly.

- Certain matters such as grade crossings and classification of commodities (a tariff item) are routinely assigned to pre-selected examiners in the Transportation Division and the decision is written there except in those few cases when a hearing is found necessary. Then the matter goes back for assignment to an examiner in the Examiners Division to hold the hearing.

- Matters pertaining to issuance of securities, or mergers, consolidations, and reorganizations are routinely assigned to Finance and Accounts Division and the decision is prepared there. If a hearing is necessary the Chief of Finance and Accounts Division will preside, unless he feels he should not and asks for assignment of another examiner. This is the one exception to having all hearings conducted by the Examiners Division.

- An operating division may recommend that a matter be assigned to it rather than to the Examiners Division. When a formal filing is made, copies go to each affected division for review. The operating division may advise the Chief Examiner that in its opinion this matter should be assigned to an examiner in the operating division. If the Chief Examiner agrees he will prepare the assignment list accordingly.

- Some formal matters either go routinely to the Legal Division, such as Petitions for Rehearing, or they may prepare the document initiating the matter, such as Restraining Orders, Orders for Dismissal, or Orders Instituting Investigation.

Present assignment procedures result in about half of the ex parte decisions being written by examiners in the Examiners Division. Some of the examiners do very little other than write ex parte decisions; it is questionable whether they are fully performing examiners' duties. A very large number of these routine or ex parte matters could be handled better by personnel at lower levels in the operating divisions. Substantial

savings in time and salaries would result. We do not believe routine ex parte matters should be retained in the Examiners Division as fill-in workload. We do not believe that better decisions are a result.

RECOMMENDATION

MOST FORMAL MATTERS TO BE HANDLED EX PARTE BE ASSIGNED TO OPERATING DIVISIONS

Orders Dismissing Proceedings. Complaints are frequently dismissed for lack of sufficiency or upon request of the complainant when a settlement is reached. Applications are occasionally dismissed because the application is defective and is replaced by a new filing, because the relief sought is obsolete, or for a variety of other reasons. Whether it involves a formal complaint or a formal application, an order to dismiss must be prepared and adopted by majority vote of the Commission. The Legal Division gives formal complaints an initial screening when filed and prepares an order to dismiss if they find a complaint insufficient. Examiners prepare any orders required after complaints or applications are assigned to them.

When an order to dismiss is prepared it is treated just like any other decision. If prepared by an examiner the order is routed to other divisions for review (the 'blue slip' procedure), put in final form, placed on calendar as a review order for two weeks, then placed on calendar as a matter to be brought to vote. This procedure is much too elaborate to fit the nature of orders to dismiss. There is seldom any question about adoption.

There should be a simple way to dismiss a matter when the person who brought the complaint or application asks for dismissal and no one disagrees. The draft review process should reveal whether any division has any doubt about dismissing the complaint or application.

The most efficient way to handle non-controversial orders to dismiss would be for the Commission to delegate authority to the Secretary to sign such orders. This would eliminate all the paperwork and delay required to deal with these orders as a calendar item.

RECOMMENDATION

THE COMMISSION DELEGATE AUTHORITY TO ITS PROPOSED EXECUTIVE OFFICER TO SIGN ORDERS TO DISMISS COMPLAINTS OR APPLICATIONS WHEN ALL PARTIES AGREE.

FINANCE AND ACCOUNTS DIVISION

The Finance and Accounts Division is responsible for auditing the accounts of the public utilities and carriers under the jurisdiction of the Commission and for making analyses of and recommendations on financial data submitted to the Commission on matters for its consideration and action. The principal matters with which this work is involved are:

- Proposed security issues and mergers and consolidations.

- Applications for rate adjustments.

Security Issues. In making analyses and recommendations on proposed security issues--and to a somewhat lessor degree on proposed mergers and consolidations--a wide knowledge of security markets and trends in money costs and an

understanding of the impact of the proposals, if approved, on the applicant company's financial strength and costs of providing the public services, is essential. An important element is the maintenance of the most desirable relationships between debt, preferred stock and common stock equities.

Rate Proceedings. The Division's participation in rate proceedings is mainly in:

- Analysis of the applicants' financial statements of 'rate base' (assets devoted to public service) and 'results of operations' (revenues and expenses of past periods.)

- Determination of the reasonable earning levels and fair rates of return on investment.

To make adequate verification and analysis of the financial statements in the rate cases, the accounts and records of the applicant company are audited and reports of the examinations become exhibits and a part of the record of the formal proceeding.

A review of recent reports indicates that thorough audits were made of the applicant companies' books including in one large case an extensive examination of the applicant's affiliates located outside the State. The criticism in the past that examinations were inadequate desk audits does not appear to be currently applicable.

Recommendations on reasonable earnings levels and fair rates of return

are presented in an extensive report as another exhibit and part of the record in the proceeding. The principles enunciated in leading court decisions must be observed. A number of factors must be considered such as the prevailing rates earned by similar companies, the ability to attract new capital and the maintenance of favorable securities ratings. A continuous system of research and data compilation is necessary for an adequate job on this element of rate regulation.

Staff members who perform the auditing and analysis work on these phases of the rate proceedings are required to present testimony on their findings and recommendations at formal public hearings and to be cross-examined on their testimony.

In addition to the work involved with security issues and rate adjustment applications, the Division performs such other auditing and accounting work as:

- Maintenance of the uniform system of accounts prescribed for regulated companies.

- Cooperation with federal regulatory agencies such as the Federal Power Commission.

- General compliance auditing.

- Providing information to interested outside organizations concerned with the regulation of utilities and carriers.

- Providing information and advice to the Commission.

Organization. The Division's technical staff is divided into two branches of approximately equal numbers as shown on the following chart:

- Utility Branch

- Transportation and General Branch

The staff work for the Commission orders on security issues, mergers, and consolidations is performed exclusively by the Finance and Accounts Division. The analyses and recommendations have evidently been consistently sound and the processing timely. The important part of this work however has been performed personally by the division chief who is a recognized authority in this field, and it does not appear that there is an adequate training program so that this function can be continued at the same level when the present division chief retires. In the recommended organization of the division, provision is made for better coordination of this function with the "rate of return" function and for a high-level staff member to perform this coordination and to do research seeking improved methods.

Elsewhere in this report is a discussion of the need for improved coordination between the Finance and Accounts Division and the Utilities Division in the staff work required in rate adjustment applications particularly in the assignment of Engineering and Accounting personnel and recommendations to bring about improvement.

The staff work involved in assisting the Commission in determining

FINANCE AND ACCOUNTS DIVISION

(Present Organization)

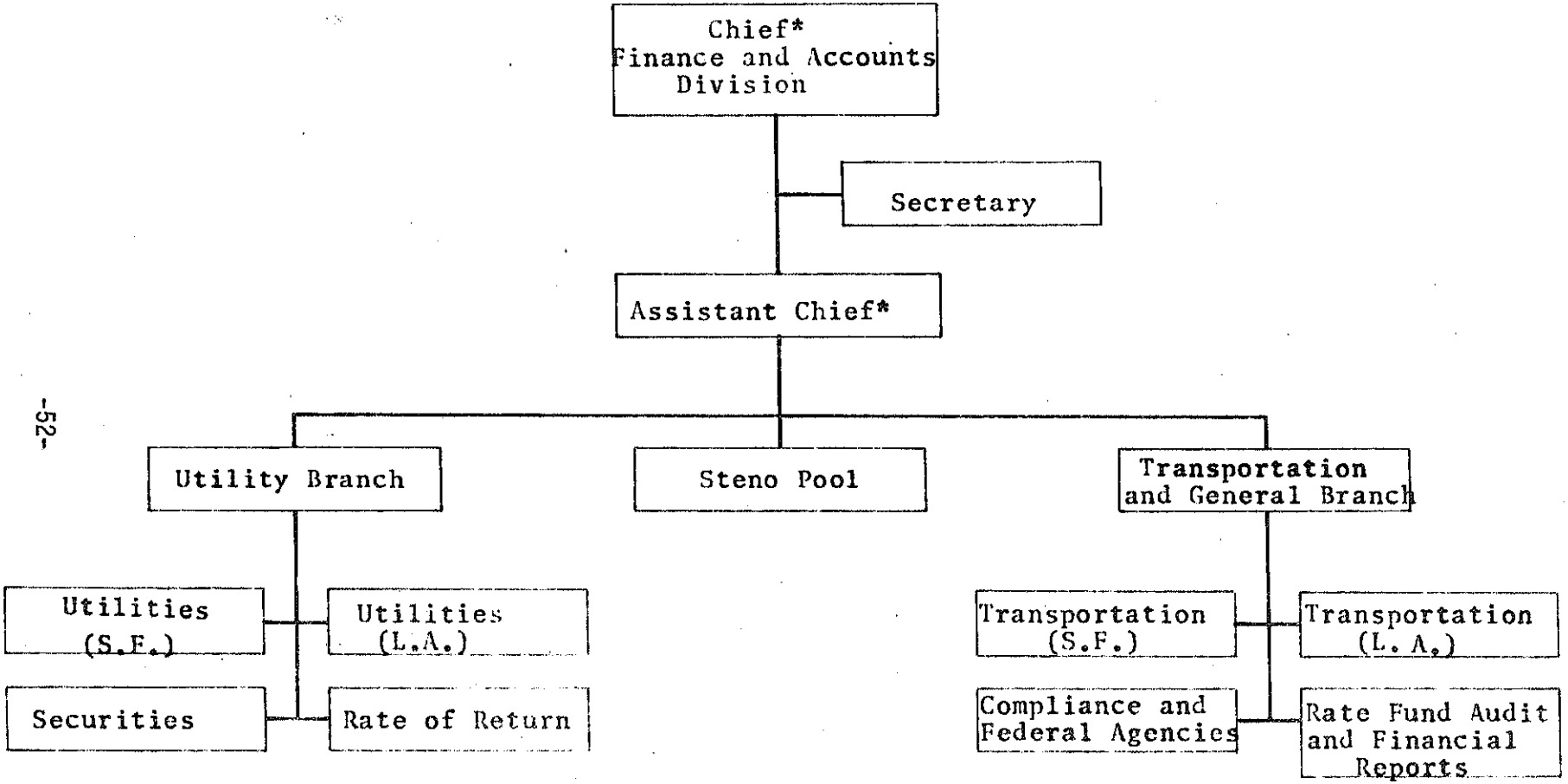


CHART V

* Working titles Director & Assistant Director

FINANCE AND ACCOUNTS DIVISION

(Proposed Organization)

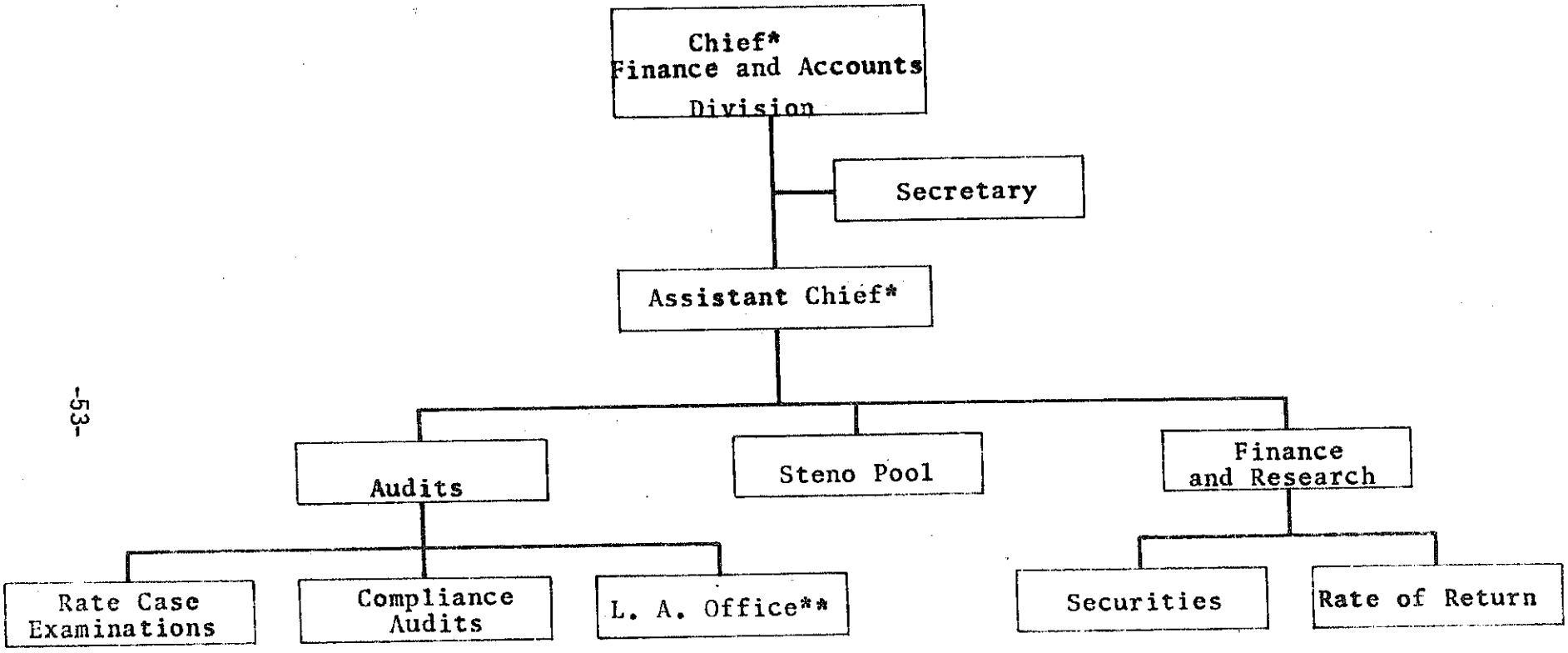


CHART VI

* Working titles Director & Assistant Director
** L. A. Office under one supervisor is responsible for Rate Case Examinations and Compliance Audits

reasonable earnings levels and fair rates of return on investment, appears to be well organized and quite competent in view of the 'present state of the art.' It is to be hoped that through more study and research a set of guidelines can be developed which will permit these determinations to be based more nearly upon a formula and less upon judgment in individual cases.

The Commission has adopted for California, with minor modifications, use of the uniform systems of accounts promulgated by federal agencies. (The Federal Power Commission for electric and gas utilities; the Interstate Commerce Commission for carriers; the Federal Communications Commission for telephone utilities.) Compliance with the systems is one of the factors reviewed in audits of the regulated companies.

Compliance Audits. There is a considerable variation in the several classes of regulated utilities and carriers as to the programs needed in the way of so-called compliance audits. In these days of frequent (practically annual) applications for rate increases by the major utilities a thorough audit is made in the consideration of each application which amounts to a system of annual 'compliance' audits. In addition, the major electric utilities are audited in considerable detail by the Federal Power Commission and there is good exchange of audit information between that Commission and the PUC.

The regulated companies file regular financial reports with the PUC. An electronic data processing system should be developed whereby the important data in these statements would be compiled and analyzed. Most of

the large companies would undoubtedly be able to supply tapes from their electronic data processing systems to facilitate this work. Such a system would be a means of conserving technical manpower in auditing the large utilities.

As to the smaller utilities, such as water companies whose rate increase applications are less frequent and the smaller carriers, the system of audit selection for field audits and spot checks should be improved. The frequency and intensity of audits should be guided by the amounts involved and the likelihood of significant audit exceptions. With the heavy present workload required for the large utilities' rate cases, the manpower of the division should be assigned with priorities to the more important cases.

So long as the present heavy utilities' rate application workload continues there will be a need for more well trained financial examiners. Utility rate determination is a highly technical specialty which is not learned in school or in a short training period. Additions to staff should be made in increments which can be trained adequately. There should be sufficient trained staff to deal both with rate application work and also to perform adequate 'compliance' audits.

Reorganization Needed. The present organization of the Division is out-dated (if indeed it was ever suited to the needs of the past.) The division of the technical staff into two equal branches--Utility and Transportation and General--is not sound.

RECOMMENDATION

THAT FINANCE AND ACCOUNTS DIVISION BE REORGANIZED AS INDICATED ON CHART VI.

FEATURES OF THE RECOMMENDED ORGANIZATION:

- THE DIVISION BETWEEN UTILITY AUDITS AND TRANSPORTATION AUDITS WOULD BE ELIMINATED, THUS PROVIDING GREATER FLEXIBILITY IN ASSIGNMENT OF MANPOWER.
- A HIGH LEVEL STAFF MEMBER WOULD BE ASSIGNED THE DUAL RESPONSIBILITY OF:
  - COORDINATING "SECURITIES" AND "RATE OF RETURN".
  - DOING RESEARCH SEEKING BETTER METHODS AND PROCEDURES IN THE ENTIRE FIELD OF DIVISION RESPONSIBILITIES.
- THERE SHOULD BE FREE INTERCHANGE BETWEEN RATE CASE EXAMINATIONS AND COMPLIANCE AUDITS AS THE NEEDS DEVELOP.

UTILITIES DIVISION

The Utilities Division is responsible for the operating, engineering, tariff, and economics aspects of the regulation of tariffs (rates, rules and reparations), standards of service, facility and construction requirements, (including environmental impact of construction and operation), public safety, valuation, certification and status of electric, gas, communications, water, sewer and steam heat public utilities.

The organization of the Utilities Division is shown on Chart II, Page 11. The division is headed by a Director and an Assistant Director. The Division is organized into six branches; namely, Communications, Electric, Gas, Hydraulic, Environmental Impact, and General Engineering. The first

four are referred to as operating branches. The branches, sections and units are staffed by professional engineering, statistical and clerical personnel assigned to carry out the responsibilities of the sections or units. (Direct quote from "Standard Practices U1.")

Time did not permit a detailed examination of the work of all of the individual units of the Division. Our overall review of the Sections and the Division as a whole did not disclose bases for major changes in organization. Comments and recommendations which directly concern the Utilities Division follows:

- Utility Customer Complaints.
- Assignment of Engineering and Accounting Personnel in Rate Application Matters.

Utility Customer Complaints. It is stated PUC policy to give serious attention to utility customer complaints and to resolve the complaints either in seeing that errors and faulty services are corrected or that satisfactory and clear explanations are given when the complaints are not valid or are not susceptible of remedy. Handling customer complaints is certainly a most important element of public relations.

Utility customer complaints are initially handled by two groups of customer services representatives of five each, one group in San Francisco and one in Los Angeles. These representatives resolve the less complex complaints which are received by telephone and in writing and refer the more

difficult ones to appropriate technical staff members. In each group two of the representatives are employees of the Communications Branch and one each is employed by the Electric, Gas and Hydraulics Branch, respectively. The complaints received by telephone, however, are rotated among the five representatives without regard to whether they relate to electric, gas, telephone or water services. The representatives are sufficiently knowledgeable to perform as generalists on the less complex complaints. Problems of coordination develop, however, in referring the complex complaints which require an engineer's attention. A representative attached to the Electric Branch, for example, frequently has difficulty referring a complaint about telephone service to the appropriate staff member in the Communications Branch. The groups would operate more effectively if they were in a single organizational unit with a single supervisor, one in a position to give prompt, adequate attention to complex complaints.

Customers whose complaints concern disputed bills are required to accompany their complaints with checks for the amounts billed, made payable to the PUC. When the complaints are resolved, the amounts of these checks are either refunded to the customer or paid to the utility depending, of course, on how the dispute is resolved. This procedure appears unduly complicated; a simpler procedure should be developed.

The training programs for these representatives could be improved by providing them more information about all of the services for which the four branches are responsible and by giving them prompt information on changes in rates and services which are approved by the Commission.

The standardized letters which are written to customers to explain actions (or inability to act) on their complaints appear unduly technical; greater effort should be made to couch them in simple language.

In the more complex situations there is need for more thorough field work by technical PUC staff in place of relying upon the utility company to resolve the complaint. PUC should be supplied with technical equipment needed to make independent investigations.

The following table shows the volume of informal utility customer complaints filed during the last three fiscal years:

	Gas	Electric	Water	Telephone	Total	Pending at June 30
7-1-71 to 6-30-72	738	1257	659	2384	5038	330
7-1-72 to 6-30-73	509	985	626	2187	4307	385
7-1-73 to 6-30-74	675	1632	603	2521	5431	488

It will be observed that the greatest number of complaints relate to telephone services; that the backlog of pending complaints has increased by about one-half since June 30, 1972.

As a part of this study we sent questionnaires to persons selected at random, who had submitted informal complaints to the PUC within the past six months. Following is a summary of the survey:

	Los Angeles Office	San Francisco Office
Number of questionnaires mailed	93	48
Number of responses received	57	32
Percentage returned	61%	66%
Area of Complaint:		
Gas	6	1
Water	11	0
Electric	15	1
Telephone	26	31

	Los Angeles Office	San Francisco Office
Type of Complaint:		
Poor Service	22	14
Disputed bill	21	7
Other	17	10
Questions:		
Was complaint resolved satisfactorily?	Yes 24 No 23 Undecided 5	Yes 15 No 12 Undecided 6
Was complaint handled promptly?	Yes 34 No 18 Undecided 1	Yes 16 No 12 Undecided 2
Did you receive courteous treatment?	Yes 41 No 5 Undecided 6	Yes 19 No 7 Undecided 2
Did you receive a clear explanation?	Yes 24 No 25 Undecided 5	Yes 9 No 16 Undecided 2

The survey, including comments which accompanied the questionnaires leads to these conclusions:

- The very high rate of response--61% from Southern California and 66% from Northern California--is a strong indication that there is general dissatisfaction with the treatment of complaints both by the utility companies and by the PUC.

- A substantial number felt that their complaints were not satisfactorily resolved.

- Many believed that PUC personnel, while generally courteous, were inclined to take the utility's side rather than the customer's side of the complaint.

- Explanations were not clear to a large number of complainants.

- A regular ongoing test and review of informal complaints by the PUC should be made to point up areas where greater efforts are needed both by PUC staff and by particular utility companies to improve services and to minimize basis for complaints.

RECOMMENDATION

AN ENGINEER BE ASSIGNED AS SUPERVISOR TO EACH GROUP OF CUSTOMER SERVICES REPRESENTATIVES.

THE CUSTOMER SERVICES SUPERVISORS AND REPRESENTATIVES BE ATTACHED TO THE GENERAL ENGINEERING BRANCH OF THE UTILITIES DIVISION.

THE SUPERVISORS BE GIVEN RESPONSIBILITY FOR IDENTIFYING PROBLEM AREAS AND DEVELOPING IMPROVEMENTS IN CUSTOMER SERVICES AND FOR IMPROVING TRAINING AND COMMUNICATIONS IN THE GROUPS.

Manpower Utilization on Water Companies. A disproportionate part of total PUC manpower is devoted to water companies in relationship to the number of customers they serve or to their relative economic importance as measured by their total revenues compared with those of the other utilities. As will be seen from the following tables, water companies accounted for only 2.7% of 1972 total utility operating revenues and served only 4.9% of total utility customers in that year. The PUC manpower devoted to water company matters in 1973, however, amounted to 29.4% of the total PUC manpower devoted to utility matters.

1973 Man-hours Devoted to Utility Matters*

	Gas	Electric	Telephone	Water**	Total
Legal Division	3802	5580	3712	4278	17372
Finance and Accounts Division	8706	4109	11643	12200	36663
Reporting Section	2945	4827	6033	5039	18844
Examiners Division	2437	4829	4517	5888	17671
Utilities Division	37046	39470	44210	48927	169653
Totals	54936	58815	70120	76332	260203
Percent of Total	21.1%	22.7%	26.8%	29.4%	100%

*Excluding Administration and Clerical Support
**Including sewer systems

	1972 Operating Revenues (in hundreds of thousands)		1972 Number of Customers (in thousands)	
	Total	% of Total	Total	% of Total
Gas (Steam)	$ 2,635	12.5	6011	28.7
Electric	8,881	41.9	5853	27.9
Telephone	9,051	42.8	8040	38.5
Water	603	2.7	1036	4.9
Totals	$ 21,170	100.	20940	100.

(Above data derived from PUC reports.)

It is recognized, of course, that the percentage of revenues and the percentage of customers served are by no means accurate measures of the

regulatory work required. We recognize also that the PUC cannot neglect its responsibilities to a segment of the population merely because it is served by a small utility. We believe, however, that there is a tendency by PUC staff to deal in an overly formal (perhaps bureaucratic) manner with the relatively simple problems of the small water companies.

A case could be made for exempting the smaller water companies from State regulation if there could be any assurance that their customers would not be left with no protection whatever from exorbitant rates and inadequate service. We doubt that such assurance could be given.

We suggest that the PUC staff most familiar with water company matters make a concerted effort to increase the effectiveness of manpower utilization in this field by simplifying methods and procedures.

We recognize that progress has been made through greater use of the advice letter procedure in rate increase matters for the smaller water companies. We believe that there can be further simplification in the field work involved in regulating these companies.

Assignments of Engineering and Accounting Personnel in Rate Application Matters. Technical staff work examining, analyzing and projecting data in developing recommendations and submitting testimony in larger utility rate application matters required team effort by engineers and accountants (with some aid from statisticians). For many years the Utilities Division and the Finance and Accounts Division have collaborated in such teamwork

apparently with good cooperation and with the Utilities Division taking the lead role. (See Exhibit VII for a detailed analysis of a large rate application proceeding.)

As has been pointed out in previous studies of the PUC, a considerable part of the work which has been performed by engineers in the Utilities Division in rate matters is much more closely related to accounting than to engineering. Most of the analysis of the results of operations, for example, is the kind of work customarily performed by accountants, being primarily a matter of determining the revenues and expenses properly related to providing the utility services during completed periods and projecting the verified revenues and expenses into estimates for a test year, a year which will immediately follow the effective date of the rate adjustment, if any is approved. An important element is the verification of actual income taxes and estimating the taxes for the test year. To a considerable extent a substantial part of the work of determining the rate base is also basically accounting. This involves the verification of the historical cost of the plant, the proper depreciation, and the verification of all other assets devoted to public services. Rate applications by the typical small water companies require only an elementary financial analysis which could well be assigned to a journeyman accountant rather than a higher level engineer.

The assignment of this kind of work to engineers in the Utilities Division is historical; apparently this developed before the Finance and Accounts Division was staffed to meet the workload. The engineers who

are newly assigned to this work must acquire some training in accounting in order to have the basic background and understanding of the accounting problems they will encounter. Individuals with well rounded training in accounting would be much better equipped to handle these assignments. The engineers who have had these assignments in the well staffed and well organized Utilities Division do a very good job, but this is an expensive and awkward manner of utilizing manpower and skills.

An abrupt transfer of this work from the Utilities Division to the Finance and Accounts Division would not be practicable. The latter division does not have sufficient staff at this time to take on a heavy increase in workloads and an abrupt transfer would leave the Utilities Division over-staffed.

One study recommends as a solution in this situation that the Division of Finance and Accounts be consolidated with the Utilities Division. We do not believe that this is the best solution. We believe that there are definite advantages in having two separate divisions each with its specialized personnel; that this arrangement provides greater assurance of independent, objective staff opinions and recommendations in rate matters and in financial and auditing work generally.

The practical and realistic method of dealing with this problem is for the two division chiefs to develop a plan for a gradual shifting of the accounting type of work to the Finance and Accounts Division, consistent with adjustments in staffing which would not cause dislocations of present

trained individuals but would be geared to retirements and other vacancies.

RECOMMENDATION

THE CHIEFS OF THE UTILITIES DIVISION AND THE FINANCE AND ACCOUNTS DIVISION DEVELOP A PLAN FOR COMMISSION APPROVAL, FOR A GRADUAL TRANSFER OF ACCOUNTING TYPE WORK FROM THE UTILITIES DIVISION TO THE FINANCE AND ACCOUNTS DIVISION.

TRANSPORTATION DIVISION

The Transportation Division provides staff work for the Commission in exercising its functions of regulating transportation in respect to safety, adequacy and rates which are just, reasonable and non-discriminatory. The Commission has regulatory responsibilities over airlines, railroads, pipelines, passenger buses, motor carriers of freight, vessels and warehouses.

The Division is organized into the following six branches:

- Compliance and Enforcement
- Freight Economics
- Tariff and License
- Systems and Procedures
- Passenger Operations
- Railroad Operations and Safety

The Branches are composed of Units as shown in organization Chart II, Page 11. Our review of the several Branches and Units did not disclose a need for a general reorganization of the Division.

The discussions and recommendations on the following subjects have a direct relationship to the Transportation Division:

- Transfer of Electronic Data Processing Unit from Transportation
- Division to Administrative Services Division
- Motor Transportation Brokers
- For-Hire Vessels
- Railroad Safety Staffing and Workload
- Regulation of Warehouses No Longer Justified
- Should the PUC Transportation Division be Transferred to the State Department of Transportation?
- Regulation of Motor Carriers of Freight
- The Transportation Rate Fund

Motor Transportation Brokers. Chapter 5, Division 2 of the Public Utilities Code provides for regulatory control over "Motor Transportation Brokers". Such Brokers have been subject to control by the PUC since 1935. The primary purpose of these regulations appears to be to insure that only "fit and proper persons" are engaged in this business.

The license is renewed each year at a cost of $500.00. The broker is required to provide a bond of $1,000.00.

At this time only two brokers are licensed to do business in California. Both appear to operate primarily in interstate commerce.

There appears to be little reason to continue regulatory control over such brokerage activities, which seems to be little more than a nuisance factor to both the PUC and the two individuals now conducting these operations.

RECOMMENDATION

DISCONTINUE REGULATION OF MOTOR TRANSPORTATION BROKERS.

For-Hire Vessels. The PUC currently regulates two classes of vessel carriers: Vessels (a common carrier) pursuant to Section 238 and 1007, and For-Hire Vessels (a contract carrier) as provided in Chapter 4, Division 2 of the Public Utilities Code.

The common carrier operation does not include transportation of commodities in bulk when the cargo space of the vessel is being used for the carrying of not more than three such commodites nor licensed cargoes in bulk in tank vessels designed exclusively for such service.

For-hire vessel operation includes those vessel operations which are not those of a common carrier.

At this time there are six for-hire vessel and nine common carrier vessel operators in California. Of the for-hire vessels three conduct towing services in the Sacramento-San Joaquin River Delta, one transports sugar and refining supplies, one handles petroleum products and one is

limited to towing logs, lumber, pile drivers and cranes. All nine of the common carriers handle freight; four are also authorized to engage in passenger transportation.

Under the present procedures, it is difficult to tell the difference between a common carrier and a for-hire vessel. Both must file a formal application to secure the necessary authority; both file tariffs which are similar in appearance. The requirements relating to rates are similar. Both must secure PUC authority before rates may be increased.

No evidence is at hand which would indicate that the public interest requires the regulation of for-hire vessels.

RECOMMENDATION

DISCONTINUE REGULATION OF FOR-HIRE VESSELS.

Railroad Safety Staffing and Workload

Operations Section, Railroad Operations and Safety Branch. This section is responsible for the administration of the rules of the PUC governing safe operation practice and equipment of railroads. There are currently fourteen positions assigned to the railroad safety program of which six are engaged in rapid transit work (BART). Prior to 1969 there were ten men assigned to the railroad safety program; one position was deleted in 1970 and another in 1973. There was no corresponding change in duties.

Of the six positions on the rapid transit work three are on loan from the Department of Transportation. At this time, only the Bay Area Rapid

Transit District is in operation. Rapid Transit systems in Los Angeles and Santa Clara Counties are being designed.

Prior to 1970 there was established a schedule for the routine safety inspection of rail facilities and operations. The schedule assigned primary responsibility for particular activities to designated staff members. In recent years all such inspections have been deferred except impaired clearances and walkways (General Orders 26-D and 118), and caboose inspection (General Orders 114, 106 and 126). These activities are also now handled on a lower rate of frequency than in the past. Complaints, primarily from the United Transportation Union, have increased. The staff is therefore primarily engaged in handling complaints.

The following table, taken from the PUC 1972-73 Annual Report, indicates how this safety work has been curtailed in recent fiscal years.

	1968-69	1969-70	1970-71	1971-72	1972-73
Accident reports analyzed and tabulated (calendar year)	1,351	1,353	994	721	768
Accidents investigated in detail (calendar year	99	87	136	102	75
Impaired clearance conditions processed	2,367	1,896	1,436	620	1,527
Walk-way and unsafe operating conditions processed	2,416	2,204	1,643	820	1,527
Equipment safety inspections	577	736	397	0	0
Investigations in connection with formal matters	98	92	543	892	970
Informal complaints filed	138	354	407	428	510

The Federal Railroad Safety Act of 1970 provided certification of states by the Federal Railroad Administration. The first program established was the Track Safety Program which commenced in July 1974. The State of California could hire two track inspectors under this program. It is anticipated in July of 1975 that equipment standard certification will be proposed and it is estimated that two positions can be certified for this work. If California becomes certified half of the cost of the personnel, including supervisory and support employees, can be reimbursed to California from federal funds.

We have received strong complaints that the PUC has not fully met its responsibilities in railroad safety inspection work. We understand that in the budget process other manpower requests have had higher priority. We do not presume to pass judgment on the merits of the budget allocations. It does appear, however, that the safety of railroad operations is a very important responsibility which deserves serious consideration.

RECOMMENDATION

THE PUC AND THE DEPARTMENT OF FINANCE RE-EXAMINE PRIORITIES IN RESPECT TO MANPOWER REQUIREMENTS OF THE RAILROAD SAFETY PROGRAMS IN VIEW OF THE VERY GREAT INCREASE IN THE NUMBER OF COMPLAINTS FILED.

Should the PUC Transportation Division be Transferred to the State Department of Transportation?

Recently the State of New York transferred the regulation of transportation companies from the Public Service Commission to its Department of Transportation. (Alaska and Kentucky have apparently made similar moves but our information

about them at this time is incomplete). According to the New York's Department of Transportation the reasons for the move were to streamline regulatory functions and closely coordinate carrier regulation with statewide transportation planning and development. It might be argued that there are similar reasons for making such a transfer in California, that such a move would be consistent with the new emphasis on total and comprehensive planning for transportation. There is, in our opinion, an over-riding argument against such a shift of responsibilities. It would be unwise to remove from an independent agency (PUC) and to place under a department under the direct control of the Governor the very important responsibility for regulation of rates and for granting certificates to operate. Such responsibility has rested with the PUC since 1911 and it would require an amendment of the Constitution to make the change. We suggest that the experience in New York and the other states be reviewed by appropriate Committees of the Legislature or arm of the executive branch.

Regulation of Warehouses No Longer Justified

Since the beginning of regulation of public utilities in 1911, fundamental changes in the warehouse business have evolved. The warehouse was once a very important element in the total transportation system by which goods were moved from the manufacturer to the consumer. Before the advent of the importance of highway carriers it was necessary to have a system of large warehouses at rail heads and at convenient distribution points from which draymen could transport goods to retail stores and other final destinations. In some situations particular warehouses were, in fact, monopolies in their locations. For these reasons it was thought to be as necessary to regulate

the warehouses in the transportation system as it was to regulate the railroads.

The motor truck has changed the methods of moving goods and greatly reduced the need for large warehouses. They are no longer such an important part of the transportation system. Many are exempt from regulation by the PUC in this State. Most of the large storage facilities for agricultural products, such as grain, are under Federal supervision, or are exempt as cooperatives. There are specific exemptions of facilities storing liquid petroleum and baled cotton.

The warehouses which remain under regulation no longer have the characteristics of public utilities serving the general public. They are not monopolies. For the most part they serve business concerns as specialized facilities. The regulatory process designed for utilities and transportation companies are no longer appropriate for warehouses.* They would function more effectively in a free competitive environment like other enterprises serving business concerns. The State would be saved the expense of what is now largely an unneeded function.

RECOMMENDATION

THE REGULATION OF WAREHOUSES BE DISCONTINUED: THAT ARTICLE 3 OF CHAPTER 5 OF THE DIVISION OF THE PUBLIC UTILITIES ACT BE REPEALED.

* The same is true of "wharfingers" of which only one remains in operation in the State. The Code should be amended to eliminate regulation of wharfingers.

Regulation of Highway Carriers of Freight

Background. The current regulatory pattern governing the operations of highway carriers is the evolutionary result of the railroad efforts in 1915 to secure some kind of protection from highway carriers who were free of regulation and whose competitive efforts were becoming substantial. The rail lines secured a writ of mandate from the California Supreme Court, directing the Public Utilities Commission to exercise jurisdiction over common carriers by motor vehicle as such carriers were "other transportation companies" described in Article XII, Section 22 of the Constitution. In 1917 the legislature passed the Auto Stages and Truck Transportation Act. That Act required the Commission to supervise, fix rates, regulate the acts, service and safety and to exercise control over the issuance of stock of common carrier auto stages and trucks. These regulations were limited to carriers operating between fixed termini or over a regular route. New operators were required to secure a certificate declaring that the public convenience and necessity required such operations.

The 1917 legislation left an ever growing group of truck operators free of regulation. This group was made up of contract and irregular route common carriers. The existence of a large number of unregulated carriers created a situation similar to the one existing before the enactment of the 1917 Act. This situation was compounded in the early 1930's by the depression. Rate wars were the inevitable result.

1935 Legislation. In 1935 the Legislature passed the Highway Carriers Act, City Carriers Act and the Transportation Rate Fund Act. The Auto State and Truck Transportation Act of 1917 was repealed. The Highway Carriers Act provided control over irregular route common carriers (Radial Highway Common Carriers) and contract carriers for transportation services between cities.

The City Carriers Act provided for transportation within cities. The Transportation Rate Fund provided financial support for the new regulation by means of a fee based on the gross revenues of the regulated carriers.

The new legislation permitted almost unrestricted entry into the trucking business. The establishment of rate control through minimum rates provided the means of effecting stability by preventing price cutting. With modifications the 1935 system remains as the basic regulatory scheme governing the California highway carrier industry. A number of special classes have been established by subsequent legislation as indicated in the following list:

Types of Carriers of Property

Certificate Carriers

Highway Common Carriers
Petroleum Irregular Route Carriers
Cement Carriers

Permit Carriers

Radial Highway Common Carriers
Highway Contract Carriers
Seasonal Agricultural Carriers
Petroleum Contract Carriers
Cement Contract Carriers
Dump Truck Carriers
Household Goods Carriers

Not Regulated

Persons Transporting Own Property
Farmers - Occasional Transportation
Non-Profit Agricultural Co-ops
U.S. Mail Contractors
Tow Trucks
Baggage and Express on Passenger Stages
Interstate Highway Carriers

Two Basic Systems Nationally. Nationally there are two basic systems of highway carrier regulation: The "California Plan" with easy entry and minimum rates and the "ICC plan" with controlled entry and less control of rates. Under the ICC system carriers are required to file their tariffs and abide by them. They may merely file new tariffs for increased rates which become effective unless ICC chooses to suspend them. The California Constitution would not permit the complete ICC system of rate control since it now requires affirmative action by the PUC before rates can be increased.

The picture has gradually changed through the years as to unrestricted entry. Two factors are responsible for the gradual restriction of the once free flow of operators into the for-hire trucking business. The filing fees have been increased from $1.00 per permit in 1935 to $500.00. There has been an increase in new carrier classes, with a tendency to restrict new operators from entering the new field. For example, it is almost impossible to secure a new dump truck carrier permit. New operators must acquire a permit through transfer of an existing authority.

Problem Areas. The PUC has never fully achieved its purpose in establishing just, reasonable and non-discriminatory minimum rates for transportation

services between all points for all commodities. The evidence has not been sufficient to justify the establishment of just and reasonable rates for a large number of transportation services and commodities. In 1973, 22 percent of the revenues earned from transportation services were not subject to the minimum rates. An additional 11 percent was generated from traffic moving at competitive rail rates and special rates authorized by the PUC, both of which are normally lower than the minimum rate levels. The remaining 67 percent moved at rates on the level established as minimum by the PUC.

The transportation of household goods has been a problem for many years. The enactment of the Household Goods Carrier Act created a special class of carrier which tended to isolate the problem, but failed to solve it. The principal area of concern involves the relationship between the carrier and customer. This service is unique in that its patrons are generally unfamiliar with the technical aspects of transportation services, including the governing tariffs. The frequent occurrence of underestimating has been an especially troublesome problem. Recently the PUC and the ICC have made progress toward solution of the very difficult problem of estimating the cost of service prior to the move.

The PUC issued an order, effective November 23, 1974, establishing strict rules covering estimating practices, including severe penalties for non-compliance.

The current circumstances are contrary to the original concept that strict rate control with easy entry into the field would produce the

stability necessary. The current situation makes it difficult to prevent the regulatory process from becoming a protective screen for the motor carrier industry by limiting competition and at the same time by providing an economic umbrella for highway carriers through the minimum rate program.

Commission Investigations. The PUC has on several occasions expressed criticism of the California plan and has held extensive investigations and hearings with the objective of proposing remedial legislation.

In a decision after such an investigation in 1948 the PUC said:

> "Transportation does not flourish best as a regulated monopoly. Historically it has always been a highly competitive undertaking. It is, however, a business clothed with a great public responsibility and one so interwoven with the economic welfare of the nation it cannot be conducted in the public interest without some restraint; without any, or partial regulation, discriminations and other unfair practices flourish.
>
> "The regulatory purposes of neither the Federal nor State Acts were to create transportation monopolies. They were enacted to protect the public from extortionate or discriminatory rates and to prevent favored shippers from receiving rebates or obtaining preferential treatment. Transportation systems competed one with the other but originally were treated equally from a regulatory standpoint. The pattern of transportation regulation has been a regulated competition."

Instability and Inequitable Competition. The PUC was concerned with the instability surrounding the radial highway common carriers, the great turnover among them and the lack of any authority to control entry into this field to prevent an over supply of transportation "with a consequent increased burden upon the public in the form of higher transportation charges than otherwise would be necessary." It was concerned also with the differences between the treatment of the radial carriers which are protected by minimum rates and are free to change territories and to increase or decrease rates at will subject only to observing the minima and the much stricter treatment of the regular route carrier which is bound by the terms of its certificate and the exact rates set forth in its published tariffs. The PUC concluded, "The inequitable competitive situation frequently existing between the two classes of common carriers is obviously not in the public interest."

Another concern of the PUC was the uncertain status of contract and radial carriers and the fact that both carriers and shippers are confused because the laws do not define with certainty what the carriers are permitted or required to do to keep their operations within the law.

Remedial Plan Proposed. As a result of the findings of its investigation the PUC proposed a remedial legislative plan. It was not adopted.

In our opinion the criticisms of the California minimum rate system of regulating highway carriers so well stated by the Commission in 1948 are applicable today with even greater validity.

We believe that price maintenance and economic umbrella provisions generally are not in the public interest. Accordingly, we are proposing the program of improvements in the system of regulating highway carriers outlined below.

This program is similar to the recommendations made by the PUC in 1948, with some modifications dictated by more recent experience.

Fewer Classes - Minimum Rates Abolished. The plan proposes that general freight carriers be grouped into two classes, highway common carriers and highway contract carriers;* that the present special classes of household goods carriers be retained; and that certain transportation services be excluded from economic regulation. Minimum rates would be abolished. Highway common carriers and household goods carriers would be required to file and maintain tariffs. Existing radial highway common carriers, livestock carriers, petroleum contract carriers and cement contract carriers would be permitted to elect becoming either highway common carriers or highway contract carriers.

Specific Exemptions. The transportation of unprocessed agricultural commodities and logs and the operation of dump trucks do not require economic regulation; therefore, these transportation services should be excluded except for safety and for protection against public liability and property damage.

The current requirements for new dump truck operations are too restrictive. It is impossible, as a practical matter, to obtain a new permit. New operators must secure through transfer an existing authority, which is fairly easy. The current requirements result only in controlling the maximum number of operators.

At the end of 1973 there were 6233 dump truck carrier permits outstanding. Those account for nearly one-fourth of the permits in effect at that time. Dump truck carriers earned $157.5 million during 1973, slightly over 10 percent

*The PUC should adopt a general order to prevent one class from encroaching upon the other.

of the total revenue generated by all highway carriers. Very few dump truck operators work directly for shippers. Most are employed as independent-contractor sub-haulers.

The dump truck business, for the most part, is much more closely related to the construction industry than transportation. Regulations governing that industry might, therefore, be more appropriate than the current regulations governing dump truck operators. The problem of fitting the minimum rate structure to the practice of competitive bidding prevelant in construction has never been completely solved. The removal of dump truck operations from the PUC should contribute to the blending of two compatible segments of the construction industry.

Carriers of general freight who are confined to operations as independent contract sub-haulers should also be free of regulatory control, except for matters concerning safety. Regulated carriers, (highway common and contract carriers) should be required to abide by rules, established by the PUC regarding the relationship and liability of prime carrier and sub-haulers.

Eliminate Distinction Between Regular and Irregular Route. One of the problems with the 1948 proposals was the retention of two types of common carriers: regular route and irregular route. There is no real purpose served by this distinction. The adoption of the language used in the Interstate Commerce Act (Section 203 (14), "whether over regular or irregular route", in lieu of "between fixed termini or over a regular route" in Section 213 of the Public Utilities Code would allow the

elimination of the "Petroleum Irregular Route Carrier" and "Radial Highway Common Carrier" classes. These would bring the definition of Common Carrier by motor vehicle in California into line with the same type of carriers in interstate commerce and intrastate commerce in neighboring states. The remaining common carrier class "Cement Carrier" could also be eliminated and absorbed by the highway common carrier class with no difficulty.

Redefine Highway Contract Carrier. The definition of Highway Contract carrier in the Code should be amended to make it uniform with those governing contract operations in interstate commerce and within neighboring states. It would allow the elimination of the cement and petroleum contract carriers as special classes. The "livestock" carrier class created in 1972 should also be eliminated. The existing carriers of livestock should be permitted to elect becoming a highway common carrier or a highway contract carrier.

Modify Entrance Requirements. Entry into the field of motor carrier operations at the present time has a number of inconsistencies particularly in connection with "permitted carriers". As a general rule it is difficult to become a common carrier and easy to become a permitted carrier. It would seem appropriate to make it less difficult to become a common carrier and tighten entry for the permitted operator. At the present time common carriers must prove "public convenience and necessity" before a certificate may be granted. This test implies a monopolistic situation normally associated with a utility wherein there is no competition. This

is simply not so for highway carriers. It is suggested that applicants for highway common carrier authority be required to show that the proposed operation would be in the "public interest". This should include a showing that the applicant has (a) financial ability; (b) the facilities necessary; (c) the ability to perform; and (d) the operation would not result in an undue burden on competition.

Applicants for highway contract carrier operations should be required to establish (a) financial responsibility; (b) abilities to perform; and (c) that the necessary facilities are available.

The current requirements for entry into the household goods carriers field appear adequate.

In general, in any situation in which there is limitation on the number of permits or certificates granted by the PUC, the PUC should develop rules to prevent a holder from profiting from the transfer of the permit or certificate.

Minimum Rates Would Be Eliminated. The establishment of the carrier classes outlined above would eliminate the need for the present minimum rate program. The common carrier class would file and maintain tariffs as they do now. PUC authority for increased rates would be necessary. Rate reductions could be made without PUC authority on 30 day notice. Contract carriers would be required to execute written contracts which would include the rates involved and to file copies with the PUC. Household goods carriers should also be required to file

tariffs, with special rules for these carriers if necessary. Statutory provisions relating to the rate of household goods should be combined in the revised Household Goods Carriers Act so that the necessary flexibilities for the establishment of specific rules could be maintained. This would avoid the possible involvement of constitutional provision governing the rates of common carriers.

Regulate Storage of Household Goods. In addition to the requirement that household goods carriers file tariffs, the Household Goods Carrier Act should be amended by placing the storage of household goods under regulation. This function is so closely related to the movement of these articles that the absence of regulation over one part in some instances hampers the effectiveness of the other. The transportation and storage of household goods has become a very controversial subject. In the past few years there have been increasing complaints by customers. The addition of storage of these commodities to regulatory control should improve effective regulation. This is the one field in which the carriers serve the general public rather than other business enterprises.

General Effect on Carriers. The elimination of licensing and rate control over the transportation of logs and unprocessed agricultural commodities and the operation of dump trucks would not have a significant effect on the transportation picture in California. Additionally, the de-regulation of carriers engaged only in sub-hauling should have little effect on the State's transport system. The use of sub-haulers to supplement capacity

during peak periods is a vital necessity. De-regulation should add greater flexibility to this vital element to the state's transportation system. The proposals outlined here should establish a competitive atmosphere. These factors will lead to greater efficiency in equipment utilization and productivity. The PUC's major role will involve surveillance to insure that rates are just and reasonable. This is particularly important at this time due to the problem of availability of fuel and the inflationary nature of the national economy.

Effect on PUC Staff. It is difficult to make an accurate estimate of the effect of the proposed changes on the staff requirements of the PUC Transportation Division. The need for the present staff of engineers in the Freight Economic Branch who are now engaged in cost development for minimum rate studies would disappear. There would be a very large reduction in the need for the present field enforcement staff. It is quite likely, however, that normal attrition and increases in other PUC activities could absorb any displaced staff.

RECOMMENDATIONS

IN SUMMARY THE ABOVE PLAN INCLUDES THESE RECOMMENDATIONS (INCLUDING AFFECTED SECTIONS OF THE PUBLIC UTILITIES CODE):

- CONSOLIDATE GENERAL FREIGHT CARRIERS INTO TWO CLASSES: COMMON CARRIERS AND CONTRACT CARRIERS. RETAIN THE SPECIAL CLASS OF HOUSEHOLD GOODS CARRIERS. ELIMINATE MINIMUM RATES--ALL CLASSES WOULD EITHER BE SUBJECT TO TARIFFS OR OPERATE AS CONTRACT CARRIERS. CODE SECTIONS AFFECTED: DIVISION 2, CHAPTER 1 AND SECTIONS 214; 214.1; 1061; 1062; 1063; 1064; 1065; 1065.1; 1065.2; 1066.1; 1067; 1068; 1068.1; 1073; 1074.

- SPECIFICALLY EXEMPT FROM REGULATION THE TRANSPORTATION OF UNPROCESSED AGRICULTURAL PRODUCTS AND LOGS AND THE OPERATION OF DUMP TRUCKS. CODE SECTION AFFECTED: 3505.

- ELIMINATE DISTINCTION BETWEEN REGULAR ROUTE AND IRREGULAR ROUTE. CODE SECTIONS AFFECTED: 213; 215; 1072.

- REDEFINE HIGHWAY CONTRACT CARRIER TO CONFORM TO ICC AND NEIGHBORING STATES: ELIMINATE SPECIAL CLASSIFICATION OF CEMENT AND PETROLEUM AND CONTRACT CARRIERS AND LIVESTOCK CARRIERS. CODE SECTIONS AFFECTED: DIVISION 2, CHAPTER 1.

- MODIFY ENTRANCE REQUIREMENTS: SUBSTITUTE "PUBLIC INTEREST" FOR "PUBLIC CONVENIENCE AND NECESSITY" FOR HIGHWAY COMMON CARRIERS, MAKE REQUIREMENTS LESS STRICT FOR COMMON CARRIERS, MORE STRICT FOR CONTRACT CARRIERS AND MODIFY REQUIREMENTS FOR DUMP TRUCK CARRIERS. PREVENT A HOLDER OF ANY PERMIT OR CERTIFICATE GRANTED BY THE PUC FROM PROFITING FROM THE TRANSFER OF THE PERMIT OR CERTIFICATE. CODE SECTIONS AFFECTED: 1063; 1065; 1065.1; 1065.2; 1067; 1071, DIVISION 2, CHAPTER 1.

- MAKE STORAGE OF HOUSEHOLD GOODS SUBJECT TO REGULATIONS. CODE SECTIONS AFFECTED: SECTION 239 AND DIVISION 2, CHAPTER 7.

The Transportation Rate Fund

A special fund in the State Treasury entitled, "The Transportation Rate Fund" is created by Chapter 6 of Division 2 of the Public Utilities Code. The Principal source of revenue for this fund is the quarterly fees of $4.00, plus not to exceed one-third of one percent of gross operating revenues, assessed against highway freight carriers. Certain permit fees and other fees paid by transportation companies are also paid into the fund. Appropriations for administering and enforcing the regulation of highway carriers is paid from this fund which meets 75 percent to 80 percent of the total costs of regulating transportation.

There is no comparable assessment made against railroads and passenger carriers nor against utility companies to cover the cost of regulating

these industries. It has been suggested that the Code be amended to impose assessments to cover the entire costs of regulation of utilities and transportation companies as is done in some states. Such a move has been proposed as a means of providing financing for increased regulatory effort. It may be argued also that it is not equitable to charge one industry for the costs of regulating it without similar charges against the other regulated industries.

A distinction can be made, we believe, between the regulation of utilities and the regulation of transportation companies. The general public who are the consumers of utility services must bear the costs of regulating the utilities whether financed from general taxes or assessments against the utilities which are passed on in the utility rates. The transportation companies include the assessments against them in the cost of doing business. Their customers are mainly other business enterprises so that the assessments are not so directly passed on to ultimate consumers. (Perhaps it is not a very great distinction since the ultimate consumer must bear all business costs in the long run.) In any case, we do not believe that there is justification for assessing costs of regulation against utilities and other regulated utilities not now assessed.

We believe that the regular process of budgeting should determine the financial requirements of adequate regulatory programs for both utilities and transportation companies without relying upon special funds or special fees.

This Commission has consistently pointed out the bad features of the use of special funds in public finance and the budgetary process. Their use tends to encourage improvident expenditures. The special interests who make payments into special funds are prone to consider the special funds as "their" money and to assert a strong influence in its expenditure.

We believe that it is sounder fiscal policy for all appropriations for activities such as the regulation of transportation companies to be paid from the State's General Fund and that fees such as those now going into the Transportation Rate Fund be paid into the General Fund.

RECOMMENDATION

THE PUBLIC UTILITIES CODE BE AMENDED TO PROVIDE THAT ALL FEES COLLECTED BY THE PUBLIC UTILITIES COMMISSION BE PAID INTO THE GENERAL FUND AND THAT THE TRANSPORTATION RATE FUND BE ABOLISHED.

STATE OF NEW YORK
OFFICE OF ECONOMIC RESEARCH

The Office of Economic Research is responsible for analyzing the economic impact of existing and proposed regulatory policies and utility operations describing and explaining economic circumstances and advocating solutions to problems. In carrying out these responsibilities, the Office performs the following basic functions and activities.

- Prepares economic research studies covering the full range of Commission concerns including gas, electric power, water and communications. These studies deal with the economic impact of alternative regulatory policies on the State economy, on economic development, on environmental considerations, costs and benefits and such other economic considerations as may be required.

- Serves as the Commission experts on fuels, preparing major studies of short and long-range fuel requirements and costs. These studies result in the development of alternative regulatory policies including rates that will permit the State to meet projected needs taking account of supply and environmental considerations. These studies also evaluate the impact of imbalances of fuel supply and demand on industrial production and commercial activity, the quality of service and statewide economic development.

- Serves as the Commission expert on econometrics, including forecasting. It prepares economic models for forecasting and impact studies as required

and makes forecasts when needed.

- Acts as staff consultants regarding economics, thus providing economic balance in the decision-making process. It serves as the repository for economic data and facts.

- Prepares and presents evidence at formal proceedings dealing with economic factors. Most of this testimony is based on the various research studies completed within the Office as well as studies made by others.

STATE OF MICHIGAN

Research Division

A. Planning and Economic Research Section

- Develops population and industrial growth projections by community as a standard for analyzing the quantity and quality of utility services for short and long-term planning.

- Reviews and reports on regulated industry projections for population growth, and energy, communication and transportation needs and demands.

- Provides staff support in connection with hearings, investigations, and inquiries.

- Conducts liaison with state, county and local planning officials to assure that regulated industries provide adequate short and long term service in coordination with state and local government plans.

- Reviews and analyzes reports submitted by regulated industries for planning and economic considerations.

- Maintains a library of periodicals, publications, messages and other matters relating to regulation in general, the energy crisis, and tax, natural resource, planning and economic policies of

of state and federal government.

B. Scientific Research and Evaluation Section

- Serves as liaison with state and federal agencies (i.e., Atomic Energy Commission, Federal Power Commission, Interstate Commerce Commission, Environmental Protection Agency, Department of Natural Resources, Department of Public Health) on scientific and environmental matters.

- Serves as liaison with academic and research groups concerned with scientific research and safety in the fields of energy, transportation, communication, and the environment.

- Analyzes the plans and proposals of utility companies for the construction of nuclear powered generating plants; monitors on an ongoing basis the operation of such plants and provides regular reports including findings concerning operating efficiency, safety, design and other related matters.

- Provides staff support in connection with hearings, investigations, and inquiries.

- Serves as liaison with groups and organizations concerned with environmental protection.

STATE OF MICHIGAN

- Prepares environmental impact statements as required by federal and state statutes and rules.

- Analyzes and evaluates environmental impact statements and other material prepared by federal, state and local agencies and private organizations and individuals.

- Conducts special investigative studies to determine the significance of special environmental impact factors.

- Develops an environmental data bank, using information from public and private agencies, to provide a rational and systematic basis for environmental impact research, determination and evaluation.

APPENDIX III

PROPOSED FORMAL PROCEEDINGS MONITORING OFFICE

A. Functions:

- Gathers and compiles data on all active matters requiring formal hearing including filing dates, involved divisions, assigned responsibilities and significant due dates, so that projected time frames can be identified and projected targets monitored.

- Develops agreed upon plans reflecting targets, time frames, and coordination among the divisions on proceedings requiring formal hearings.

- Monitors actual progress on all formal proceedings in relationship to targets.

- Reports regularly to the Proposed Executive Officer and Division Chiefs on the progress of all formal proceedings.

- Conducts a continuous analysis of the formal proceedings process and develops recommendations for improvements.

- Provides guidance and direction to the Supervisor of the subordinate Docket Unit in achieving streamlined and efficient operations.

PROPOSED FORMAL PROCEEDINGS MONITORING OFFICE

B. Staffing:

- One staff manager at the appropriate level and a secretary. Temporary help to be drawn from the divisions to make the office operational. Former Dockets and Processing Offices merged into a sub-unit under one supervisor.

APPENDIX IV

PROPOSED MANAGEMENT SYSTEMS UNIT

A. Purpose: To assist top management in the identification and resolution of problems relating to the efficient and effective management of the Public Utilities Commission.

B. Functions:

- Provides consultation to top level management on problems involving organization, systems, methods and procedures, and administrative practices.

- Identifies issues and problems for top management involving potential improvements in systems, methods, procedures, administrative practices, and utilization of staff.

- Develops and coordinates the implementation of a comprehensive paperwork management program. (Forms, records, correspondence, manuals, etc.)

- Proposes and conducts complex and sensitive studies of policies, systems, and procedures, and provides top management with sound, substantiated recommendations for improvements.

- Reviews, develops, and recommends policies and procedures dealing with improved administrative principles and practices.

PROPOSED MANAGEMENT SYSTEMS UNIT

- Provides guidance and assistance in the needed development of administrative policy, procedures, and manuals.

C. Staffing:

- Headed by a senior or staff level staff manager who has demonstrated analytical and problem solving ability, communication skills, and broad knowledge of sound administrative principles and practices, the office is staffed with an appropriate number of personnel with analytical ability to meet a projected and planned workload of identified administrative problems. Staffing can be supplemented, on a rotation basis, by personnel with analytical ability from the other divisions, as well as by carefully selected inter-disciplinary teams working on a short term basis to solve complex and sensitive problems.

APPENDIX V

PROPOSED OFFICE SERVICES UNIT

Summary of Changes:

- 'Business Services Unit' reorganized and title changed to 'Office Services.'

- Outgoing mail responsibility transferred from Reproduction to Mail and Messenger Unit; responsibility and appropriate staffing for incoming and outgoing mail in Transportation Division transferred to Mail and Messenger Unit; elimination of the 3 x 5 index card system on incoming mail; reorganized Mail and Messenger Unit headed by one full time supervisor.

- Transfer of responsibility, equipment, and appropriate staffing of Transportation Division Reproduction Unit to Office Services Reproduction Unit.

- Designation of one full time supervisor over Central Files Unit.

- Establishment of a new staff services manager position over the expanded Office Services Unit who is at the appropriate level and classification.

APPENDIX VI

PROPOSED DATA PROCESSING OFFICE

Summary of Changes:

The following proposals are consistent with the recommendations made by an EDP consultant in conjunction with this study.

- Establishment of a manager at the appropriate level and classification who has the appropriate systems background to head up the new office.

- Transfer appropriate EDP operations from Transportation Division to Administrative Services Division (e.g., Associate Data Processing Systems Analyst, Computer Operator, Key Punch Unit, and Programmers).

- Once EDP operations are placed in the Administrative Services Division, an implementation plan and timetable should be developed to provide follow-up on:

  a. Establishing an EDP Policy Guidance Group.
  b. Conducting a training program for key PUC managers on EDP capability.
  c. Establishing a communications network between this unit and each of the PUC divisions including technical EDP guidance to the division-based coordinators. These coordinator positions should be filled on a rotational basis by staff with analytical ability who can define user problems and perform related system analyst's work.

PROPOSED DATA PROCESSING OFFICE

d. Establishing programmer capabilities in the division of Transportation, Utilities and Finance and Accounts.

e. Establishing an immediate and long range plan of EDP applications.

A MAJOR RATE PROCEEDING ILLUSTRATED

The following charts and tabulations are presented as a means of illustrating the involvement of the staff of the Public Utilities Commission in a major rate proceeding. (The proceeding depicted is an actual one; application 53488). It is representative of the kinds of effort and inter-relationship that occur in a major undertaking.

The charts were prepared in the form of a flow chart, not for the purpose of indicating work flow, but to demonstrate the relationship of one major work element to another and the relationship of the work of the major organizational units. The charts show the activities with the Electric ("E") and General Engineering ("G") Branches of the Utilities Division and the Rate of Return ("R") and Utilities Sections of the ("F") Finance and Accounts Division.

The charts (Appendix VII-A) on sheets 1 through 6 make reference to the staff exhibit number (Ex.) and the chapter number (CH) in which the results of the work may be found. The exhibits referred to are:

Exhibit No. 31 - Prepared Testimony of staff witnesses.

Exhibit No. 32 - Cost of Money and Rate of Return

Exhibit No. 34 - Cost Allocations Jurisdictional

Exhibit No. 35 - Staff Recommended Rate Design

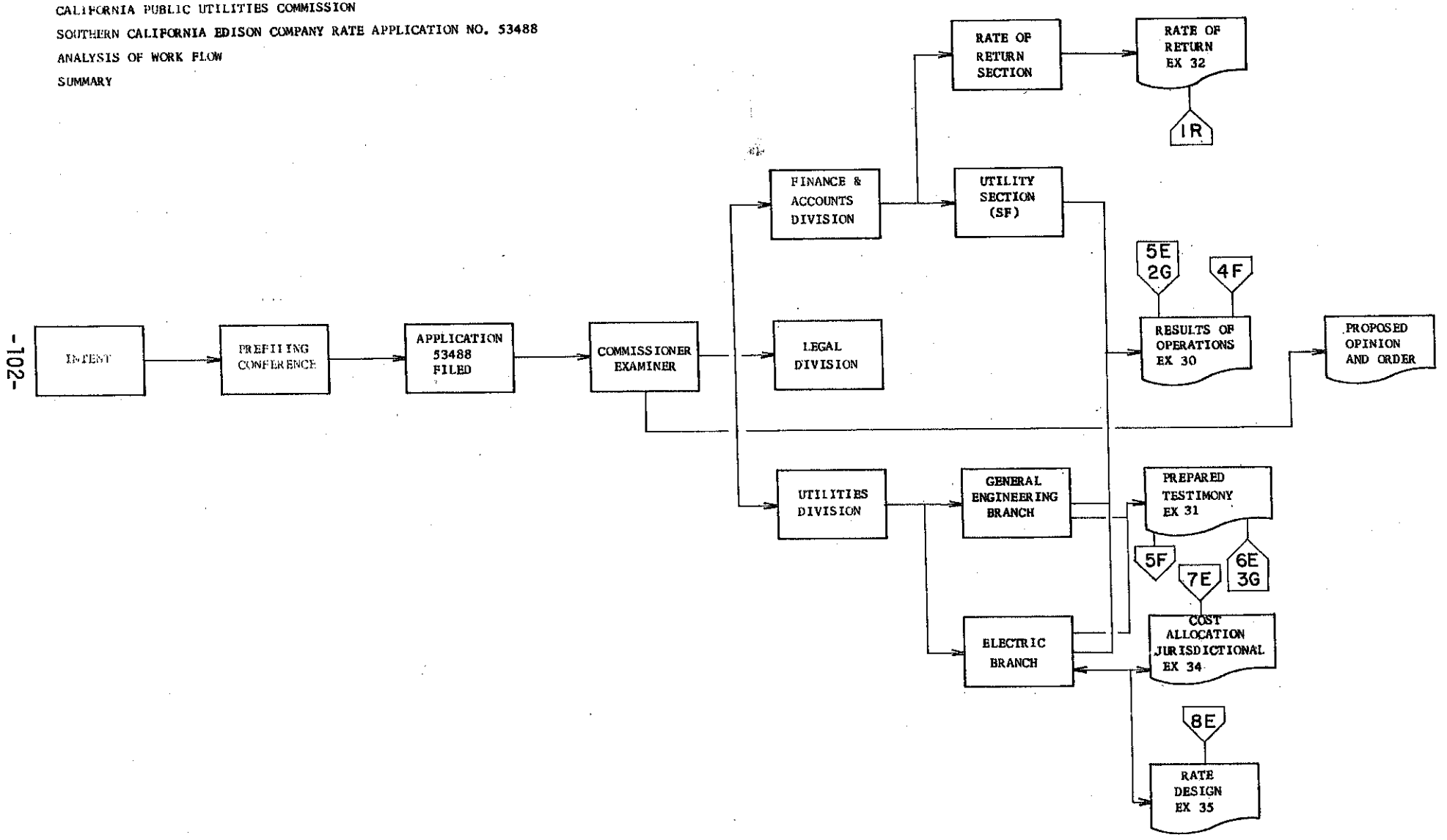
Appendix VII-B shows man days by Division by month devoted to this proceeding. Appendix VII-C is a tabulation of the sequence of events and a list of exhibits.

CALIFORNIA PUBLIC UTILITIES COMMISSION

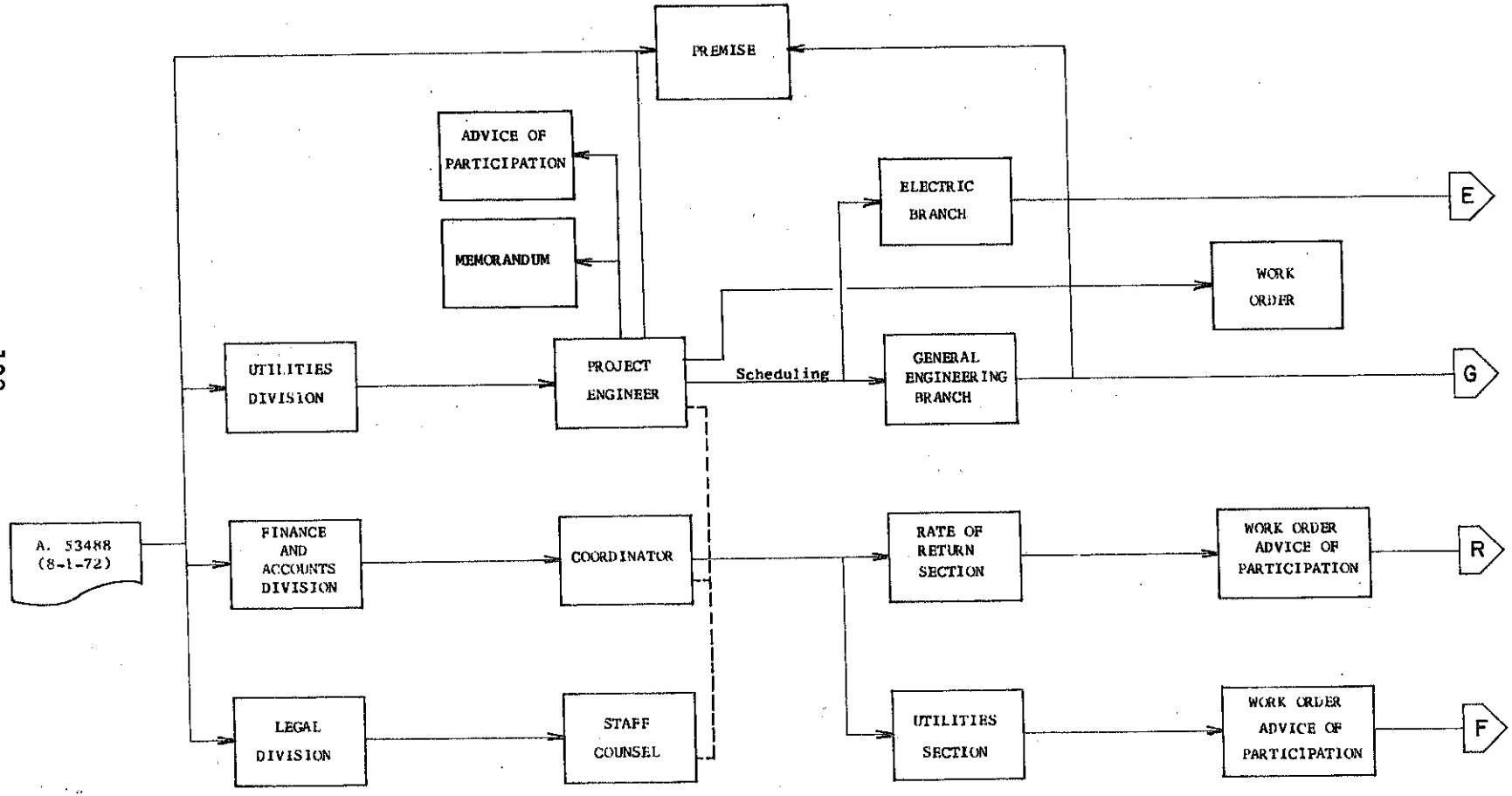
SOUTHERN CALIFORNIA EDISON COMPANY RATE APPLICATION NO. 53488

ANALYSIS OF WORK FLOW

SUMMARY



CALIFORNIA PUBLIC UTILITIES COMMISSION
SOUTHERN CALIFORNIA EDISON COMPANY RATE APPLICATION NO. 53488
ANALYSIS OF WORK FLOW
ASSIGNMENT SCHEDULING

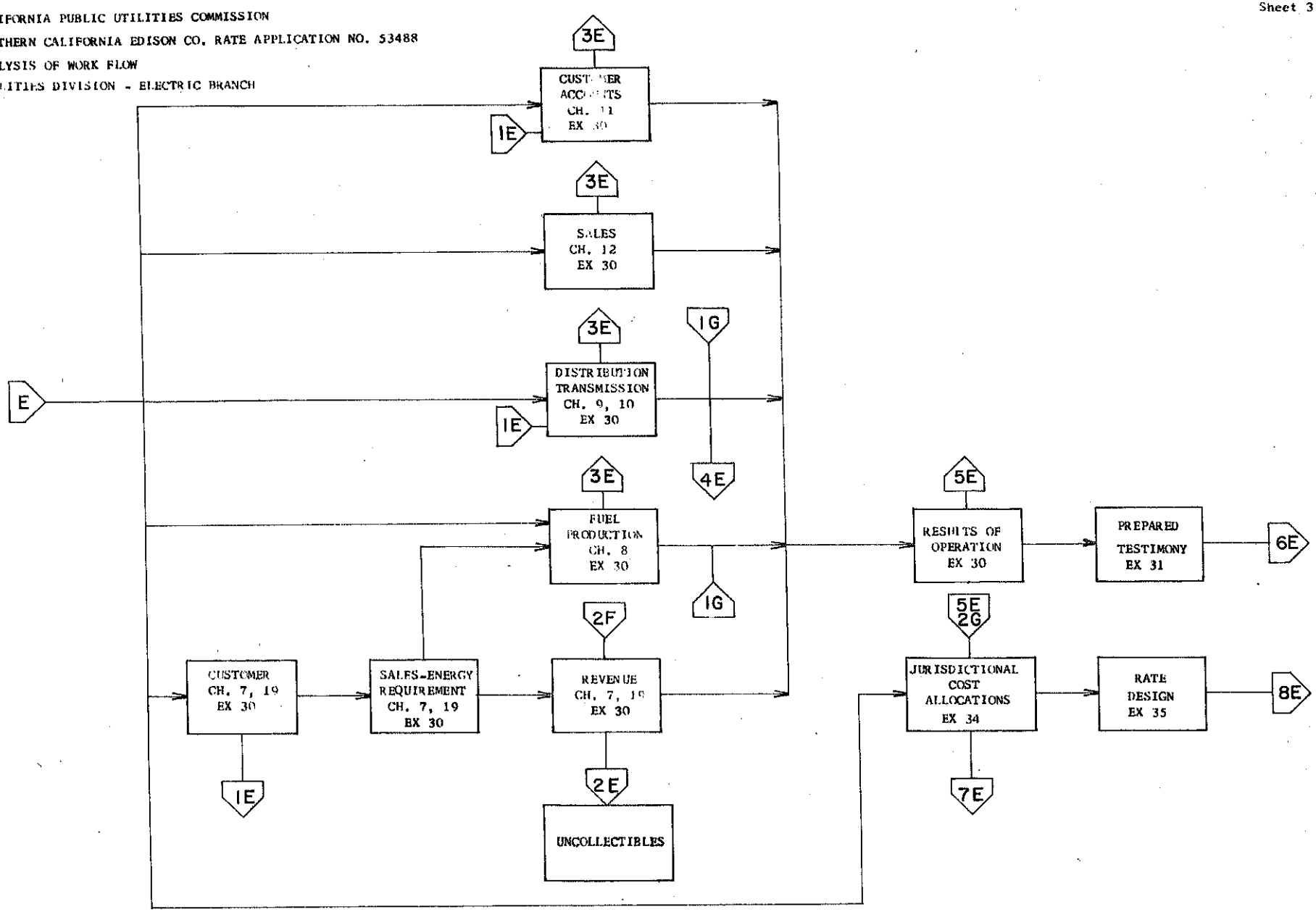


CALIFORNIA PUBLIC UTILITIES COMMISSION

SOUTHERN CALIFORNIA EDISON CO. RATE APPLICATION NO. 53488

ANALYSIS OF WORK FLOW

UTILITIES DIVISION - ELECTRIC BRANCH

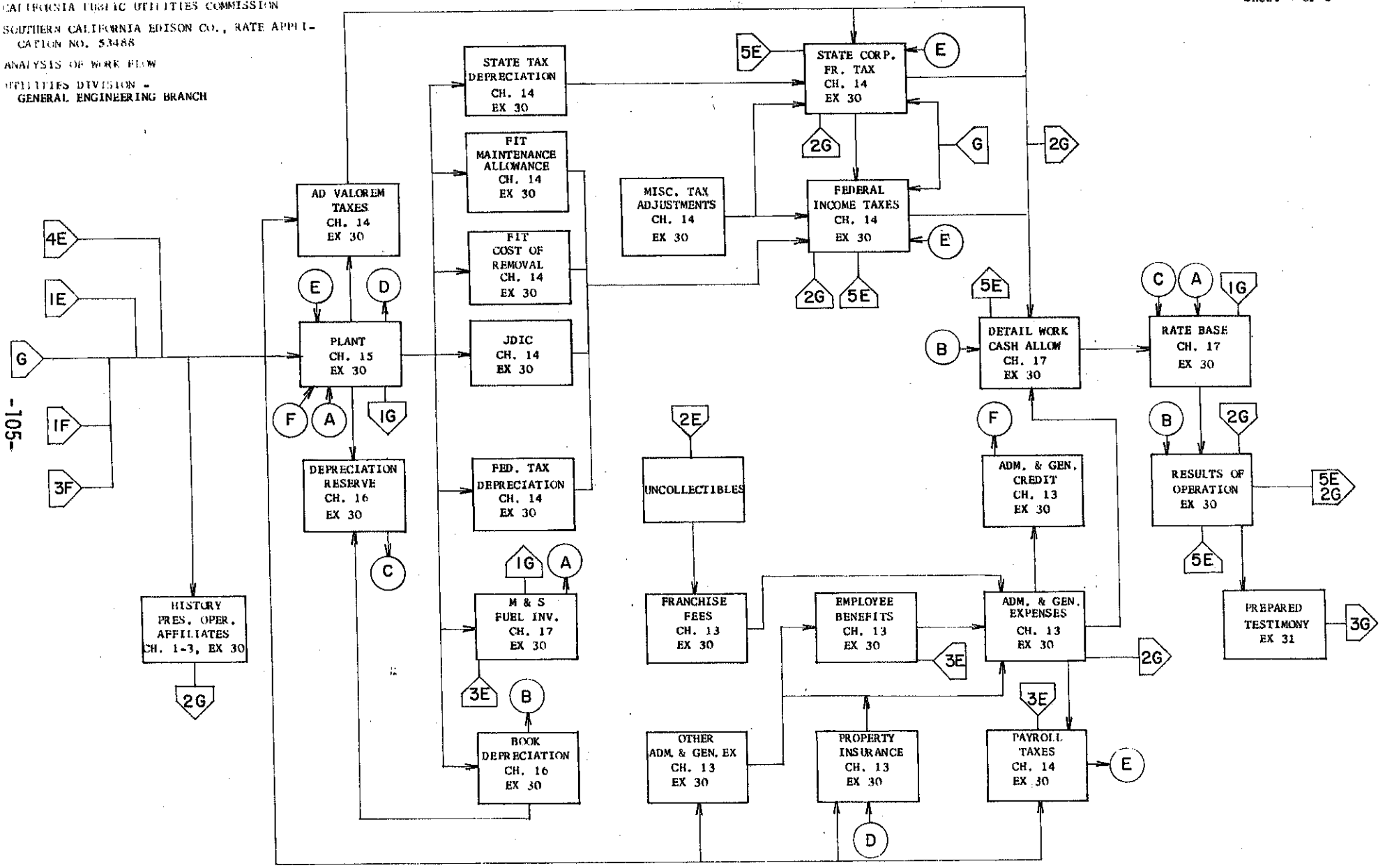


CALIFORNIA PUBLIC UTILITIES COMMISSION

SOUTHERN CALIFORNIA EDISON CO., RATE APPLICATION NO. 53488

ANALYSIS OF WORK FLOW

UTILITIES DIVISION - GENERAL ENGINEERING BRANCH

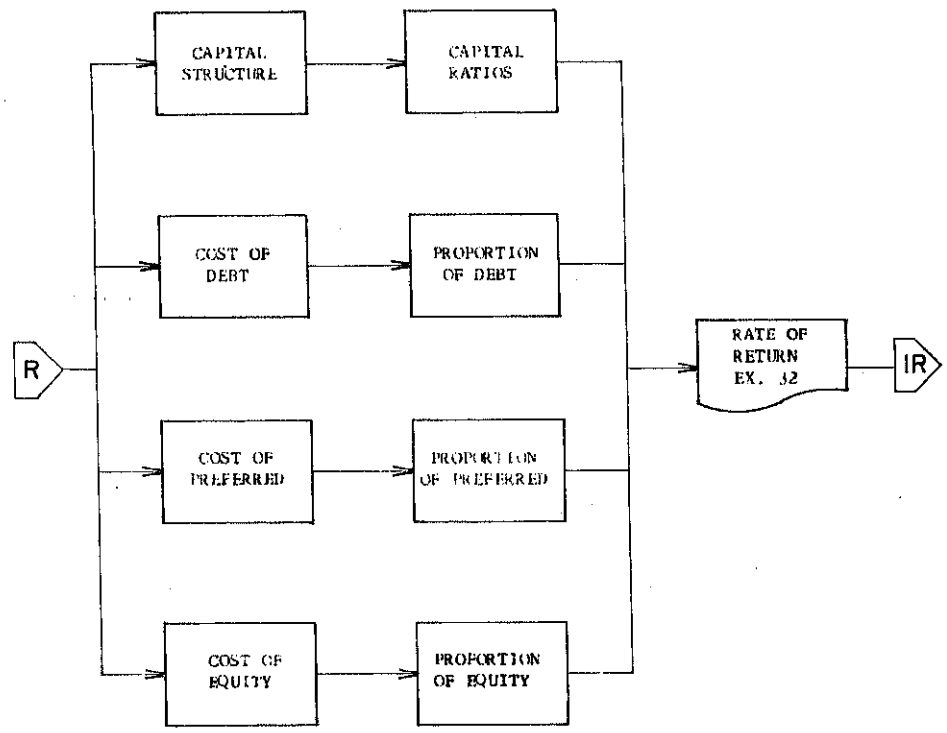


CALIFORNIA PUBLIC UTILITIES COMMISSION

SOUTHERN CALIFORNIA EDISON CO. RATE APPLICATION NO. 53488

ANALYSIS OF WORK FLOW

FINANCE AND ACCOUNTS DIVISION - RATE OF RETURN SECTION

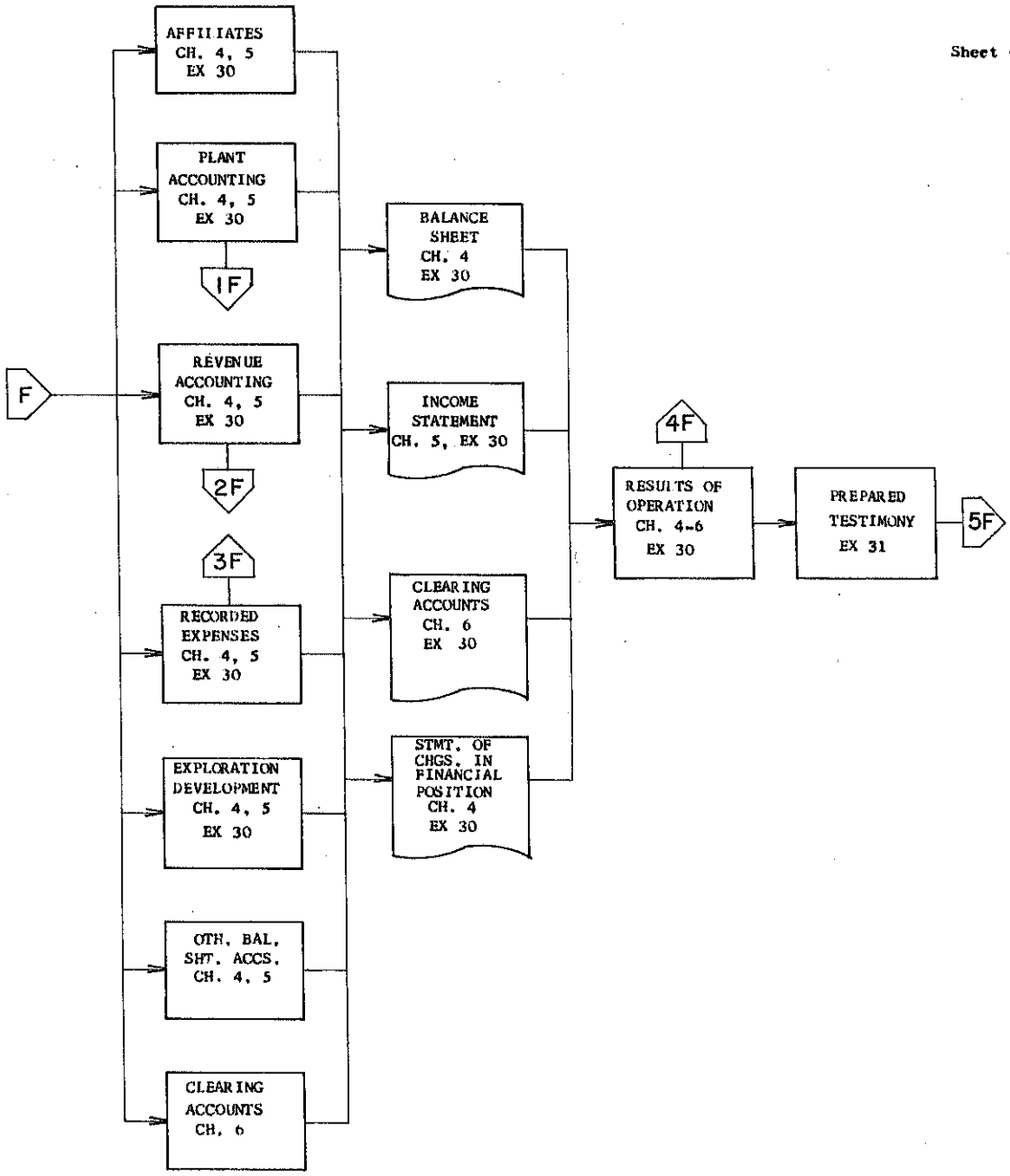


CALIFORNIA PUBLIC UTILITIES COMMISSION

SOUTHERN CALIFORNIA EDISON CO. RATE APPLICATION NO. 53488

ANALYSIS OF WORK FLOW

FINANCE AND ACCOUNTS DIVISION - UTILITY SECTION

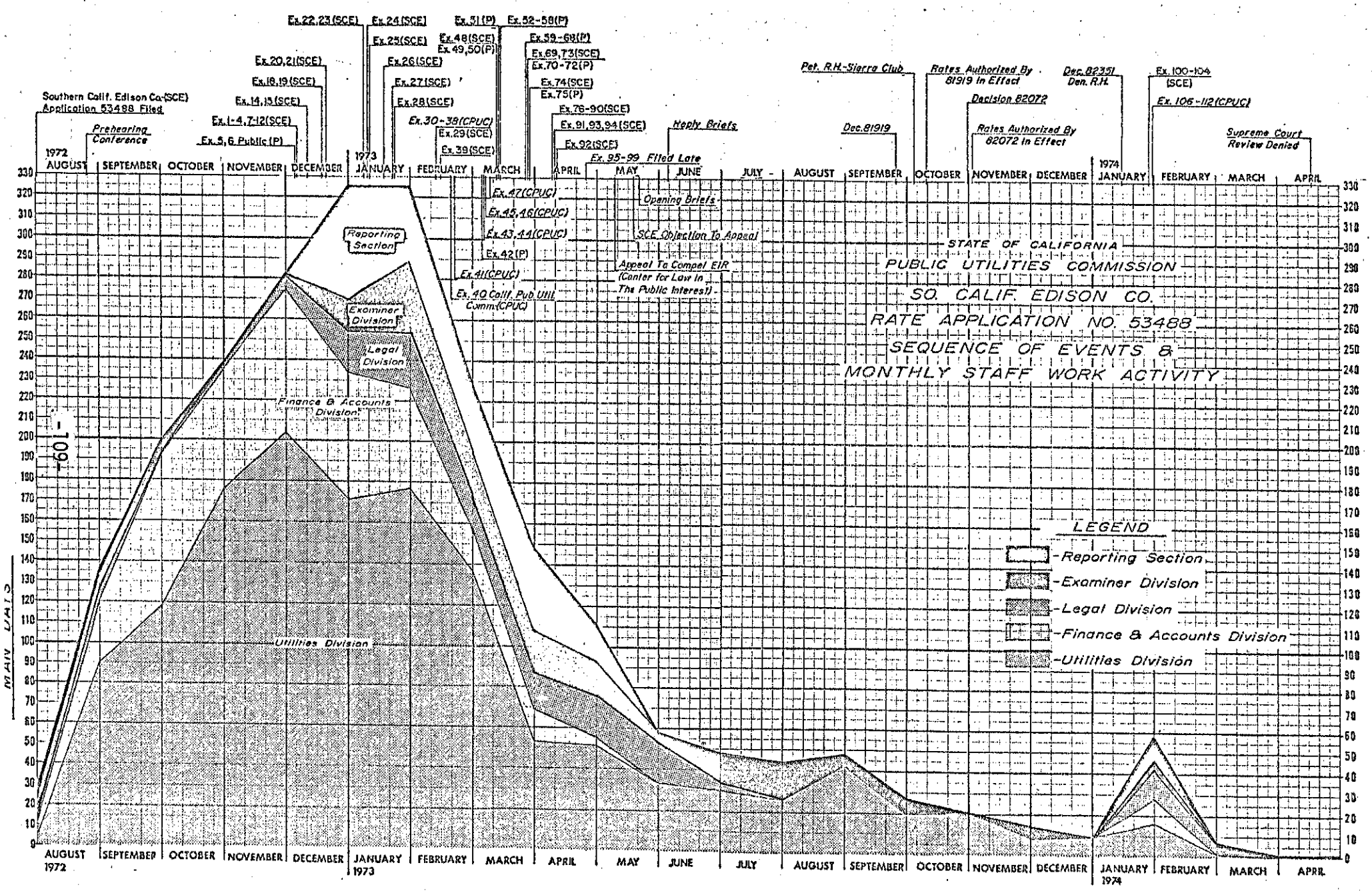


APPLICATION 53488
SOUTHERN CALIFORNIA EDISON COMPANY

Man Days* by Division by Month

		DIVISION					
		Utilities	Finance & Accounts	Legal	Examiner	(ADM) Reporting	Total
1972	August	90	32	3	8	4	137
	September	118	76	0	6	0	200
	October	176	58	4	1	0	239
	November	204	70	6	3	0	283
	December	172	62	19	16	56	325
1973	January	177	49	27	36	36	325
	February	138	20	16	19	36	229
	March	53	16	18	19	42	148
	April	51	4	22	17	17	111
	May	33	0	19	6	0	58
	June	30	0	3	15	0	48
	July	26	0	0	18	0	44
	August	42	0	0	6	0	48
	September	20	0	0	7	0	27
	October	21	0	0	0	0	21
	November	8	0	6	0	0	14
	December	9	0	0	0	0	9
1974	January	16	12	14	5	11	58
	February	1	0	4	2	0	7
	March	0	0	0	2	0	2
	April	0	0	1	0	0	1
TOTALS		1385	399	162	186	202	2334

* Excluding senior staff supervision and clerical time; includes professional engineers, accountants, attorneys and court reporters.


Southern Calif. Edison Co-(SCE) Application 53488 Filed
Prehearing Conference
Ex. 1-4, 7-12(SCE)
Ex. 5, 6 Public (P)
Ex. 14, 15(SCE)
Ex. 16, 19(SCE)
Ex. 20, 21(SCE)
Ex. 22, 23(SCE)
Ex. 24(SCE)
Ex. 25(SCE)
Ex. 26(SCE)
Ex. 27(SCE)
Ex. 28(SCE)
Ex. 30-38(CPUC)
Ex. 29(SCE)
Ex. 39(SCE)
Ex. 48(SCE)
Ex. 49, 50(P)
Ex. 51(P)
Ex. 52-58(P)
Ex. 59-68(P)
Ex. 69, 73(SCE)
Ex. 70-72(P)
Ex. 74(SCE)
Ex. 75(P)
Ex. 76-90(SCE)
Ex. 91, 93, 94(SCE)
Ex. 92(SCE)
Ex. 95-99 Filed Late
Reply Briefs
Dec. 81919
Pet. R.H.-Sierra Club
Rates Authorized By 81919 in Effect
Decision 82072
Dec. 82351 Den. R.H.
Ex. 100-104 (SCE)
Ex. 106-112(CPUC)
Rates Authorized By 82072 in Effect
Supreme Court Review Denied
Ex. 47(CPUC)
Ex. 45, 46(CPUC)
Ex. 43, 44(CPUC)
Ex. 42(P)
Ex. 41(CPUC)
Ex. 40 Calif. Pub Util Comm(CPUC)
Opening Briefs
SCE Objection To Appeal
Appeal To Compel EIR (Center for Law in The Public Interest)
Reporting Section
Examiner Division
Legal Division
Finance & Accounts Division
Utilities Division
STATE OF CALIFORNIA
PUBLIC UTILITIES COMMISSION
SO. CALIF. EDISON CO.
RATE APPLICATION NO. 53488
SEQUENCE OF EVENTS &
MONTHLY STAFF WORK ACTIVITY
LEGEND
Reporting Section
Examiner Division
Legal Division
Finance & Accounts Division
Utilities Division
MAN DAYS
1972 AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER
1973 JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER
1974 JANUARY FEBRUARY MARCH APRIL

APPLICATION 53488
SOUTHERN CALIFORNIA EDISON COMPANY
SEQUENCE OF EVENTS

1972
August

1 Application filed.

25 Prehearing Conference.

December

5 Hearing.

Exhibit	5.	Testimony of C. A. Christoff, Lancaster Rancher.
Exhibit	6.	Alesso Farms - Cost Per Acre of Turbine and Booster, Year 1968 and 1972.

6 Hearing.

Exhibit	1.	SCE Co.- Financial Characteristics - Cost of Money and Required Return.
Exhibit	2.	SCE Co.- Results of Operations 1969-1973 Recorded, Adjusted, Estimated.
Exhibit	3.	SCE Co.- Research and Development Program.
Exhibit	4.	SCE Co.- Qualifications of Witnesses.
Exhibit	7.	SCE Co.- Prepared Testimony.
Exhibit	8.	SCE Co.- Additional Prepared Testimony of Smith B. Davis Re Price Commission Guideline Compliance.
Exhibit	9.	SCE Co.- Compliance with Price Commission Guidelines Under Economic Stabilization Act of 1970 as Set Forth in CPUC Rule 23.1.
Exhibit	10.	SCE Co.- Revised Estimates (12-4-72) to Accompany Southern California Edison Company Results of Operations 1969-1973.
Exhibit	11.	SCE Co.- Additional Revised Estimates (12-4-72) to Accompany Southern California Edison Company Results of Operations 1969-1973.

	Exhibit	12.	SCE Co.- Promotional and Institutional Advertising Programs 1971-1973.
8	Hearing.		
	Exhibit	13.	SCE Co.- Financial Characteristics - Cost of Money and Required Return Supplemental Data Tables 3 and 4, December 7, 1972.
1972 December 11	Hearing.		
	Exhibit	14.	SCE Co.- Financial Characteristics - Cost of Money and Required Return (Supplemental).
	Exhibit	15.	SCE Co.- Overtime Cost Reductions.
	Exhibit	16.	SCE Co.- Financial Characteristics - Cost of Money and Required Return Supplemental Data, Tables 11 and 12, December 1972.
12	Hearing.		
	Exhibit	17.	SCE Co.- Financial Characteristics - Cost of Money and Required Return Supplemental Data, Table 8, December 1972.
13	Hearing.		
14	Hearing.		
18	Hearing.		
	Exhibit	18.	SCE Co.- Copy of Memorandum dated November 22, 1972 to Mr. C. R. Canady, Manager of System Operation from R. V. Knapp Regarding Four Corners Units 4 and 5, Mohave Units 1 and 2, Production Estimate for 1973 and 1974.
	Exhibit	19.	SCE Co.- Copy of letter dated December 8, 1972 to CPUC From Southern California Edison Company with the Attached Copy of an Article entitled "Operating Experiences with Super Critical Units", Combustion Engineering, April, 1971 and also Copy of Selected Production Plant Data from FPC Report S-209 entitled "Steam and Electric Plant Construction Costs - Annual Expenses".
19	Hearing.		

20	Hearing.		
	Exhibit	20.	SCE Co.- Certain Data From 1970 Domestic Load Study.
	Exhibit	21.	SCE Co.- Trust Indenture Requirement "Example".
1973			
January 8	Hearing.		
	Exhibit	22.	SCE Co.- Result of Investigation Into the Matter of Interested Party's Complaint (Mr. H. L. Tilbury).
	Exhibit	23.	SCE Co.- Result of Investigation Into the Matter of Interested Party's Complaint (Mr. William M. Calvert).
9	Hearing.		
10	Hearing.		
	Exhibit	24.	SCE Co.- Public Utilities Commission Staff Data Request E-607.
11			
	Exhibit	25.	SCE Co.- Public Utilities Commission Staff Data Request E-601(c). Guidelines for Future Programs.
15	Hearing.		
16	Hearing.		
17	Hearing.		
18	Hearing.		
	Exhibit	26.	SCE Co.- Responses to Staff Inquiries Relative to Chapter 4 of Exhibit 2.
22	Hearing.		
	Exhibit	27.	SCE Co.- Direct Testimony of Paul B. Peecook.
23	Hearing.		
	Exhibit	28.	SCE Co.- 1973 Domestic Customers Allocated Costs and Revenue by Level of Use.
24	Hearing.		

25 Hearing.

1973
February

5 Hearing.

6 Hearing.

13 Hearing.

Exhibit	29.	SCE Co.- Associated Southern Investment Company: Balance Sheet December 1971, Income Statement December 1971, Balance Sheet December 1972, Income Statement December 1972. Mono Power Company: Balance Sheet December 1971, Income Statement December 1971, Balance Sheet December 1972, Income Statement December 1972.
Exhibit	30.	CPUC- Report on the Results of Operation of Southern California Edison Company Year 1972 Estimated Test Year 1973.
Exhibit	31.	CPUC- Prepared Testimony of Staff Witnesses on Results of Operation.
Exhibit	32.	CPUC- Study of Cost of Money and Rate of Return.
Exhibit	33.	CPUC- Qualifications and Testimony of Russell J. Leonard.
Exhibit	34.	CPUC- Report on Cost Allocation - Jurisdictional Southern California Edison Company 1973 Estimated.
Exhibit	35.	CPUC- Report on Staff Recommended Rate Design for SCE Company.
Exhibit	36.	CPUC- Prepared Testimony of Staff Witness on Cost Allocation - Jurisdictional, 1973 Estimated - Staff Recommended Rate Design.
Exhibit	37.	CPUC- Summary of Earnings.
Exhibit	38.	CPUC- Table 14-A (Revised) SCE Company Operating Taxes Staff Estimated 1972 and 1973.

14 Hearing.

15	Hearing.		
	Exhibit	39.	SCE Co.- Statement of Acccounting Policy Research and Development Expenditures.
20	Hearing.		
	Exhibit	40.	CPUC- Administrative and General Expenses.
1973 February			
21	Hearing.		
22	Hearing.		
	Exhibit	41.	CPUC- Copy of Page 3742 of Assembly Journal dated May 22, 1972 - House Resolution No. 56 Offered by Assemblyman Powers.
March			
5	Hearing		
	Exhibit	42.	Motion by the Metropolitan Water District of Southern California.
6	Hearing.		
	Exhibit	43.	Determination of Average Amounts of Working Cash Capital Supplied by Investors Estimated Year. (Revised 1-18-73).
	Exhibit	44.	CPUC- Revenue Lag Days Based on Recorded 1971.
7	Hearing.		
	Exhibit	45.	CPUC- Kilowatt Hours, Present Revenues with and without Fuel Adjustment, Staff Recommended Increase at 100 Percent Revenue Requested Level 1973 Estimated.
	Exhibit	46.	CPUC- Rates of Return by Customer Groups.
9	Hearing.		
	Exhibit	47.	CPUC- Supplement to Study of Cost of Money and Rate of Return.
12	Hearing.		

Exhibit 48. SCE Co.- Approved Work Element Budget/Forecast Book.

Exhibit 49. U.S.A- Direct Testimony of S. Del Low.

Exhibit 50. U.S.A.-Comparative Analysis - Touche Ross & Co. Utility Study (9-12-72).

1973
March

13 Hearing.

Exhibit 51. U.S.A.- Southern California Edison Company 1972 Annual Report.

14 Hearing.

Exhibit 52. Farm Bureau- Summary 1967-1971, Inclusive - Various Series of Statistics Concerning Agricultural Products.

Exhibit 53. CMA- Data Accompanying Prepared Testimony (California Manufacturers Association).

Exhibit 54. CMA- Data Accompanying Prepared Testimony of Robert E. Burt.

Exhibit 55. Kaiser Steel- Prepared Testimony of George B. Scheer (Kaiser Steel Corporation).

Exhibit 56. Union Carbide- Prepared Testimony of W. C. Leist (Union Carbide Corporation Linde Division).

Exhibit 57. Union Carbide- Chart and Tables Accompanying Prepared Testimony of Walter C. Leist.

Exhibit 58. Union Carbide- Proposal that Southern California Edison Utilize the "Curtailable Service Rider" to improve Rate-of-Return in the Public interest.

15 Hearing.

23 Motion of Sierra Club For Environmental Impact Report.

26 Hearing.

Exhibit 59. CMA- Form of Question Asked CMA Members Concerning Interest in Curtailable Service.

Exhibit 60. CMA- Copy of Pages a139, a140, a141, and a144, of Moody's Public Utility Manual and Pages 48, 49, and 50 of an Article "What Others Think Check List on Flow Through Versus Normalization" from Public Utilities Fortnightly-March 12, 1970.

Exhibit 61. Air Products- Testimony of Edward V. Sherry of Air Products and Chemicals, Inc.

Exhibit 62. Air Products- Illustrative Computation of the Economic Choice Between the Use of Stored Energy Intensive Products and the Continued Manufacture of these Products During Periods of Reduced Availability of Generating Capacity.

Exhibit 63. Air Products- Chronological History of Power Demand of Air Products Facilities in California 1956 - 1973.

Exhibit 64. Air Products- Copy of pages 4, 6, and 8 of Article "Pages With The Editor" from Public Utilities Fortnightly-March 2, 1972.

Exhibit 65. Air Products- Testimony of Hans E. Nissel in Behalf of Air Products and Chemicals, Inc.

Exhibit 66. Air Products- Chronological Professional History.

Exhibit 67. Air Products-Publications.

Exhibit 68. Air Products- Cost of Service Per kWh and Per kW Very Large Power Rate Schedule No. A-8 1973.

1973
March

27 Hearing.

Exhibit 69. SCE Co.- Examiner's Request for 1971-1972 Earnings Per Share, Dividends Per Share, Book Value Per Share, Price Per Share, Yield Per Share, Price Earnings Ratio, Price to Book Ratio, and Return on Common Equity Based on Book Value.

Exhibit 70. City of Orange- Prepared Testimony of Bernie W. Dennis.

Exhibit 71. City of Orange- Prepared Testimony of Frank V. Page.

Exhibit 72. Farm Bureau- Copy of an Article from April 1973 Issue of Saturday Review of The Sciences - "The Egg & You".

Exhibit 73. SCE Co.- Data Request CMA-2.

28 Hearing.

Exhibit 74. SCE Co.- Copy of an Article "Do Across-the-Board Rate Increases Yield Fair and Reasonable Rates?" by Hans E. Nissel from June 8, 1972 Issue of Public Utilities Fortnightly.

Exhibit 75. Qualifications and Testimony of James F. Sorensen- Friant Water Users Association - Presentation in Opposition to Rate Increases as Proposed by Southern California Edison Company.

29 Hearing.

April

9

Exhibit 76. SCE Co.- Comparisons of Staff & Utility Estimates of KWHR Sales with Trends of Recorded Data. Prepared Rebuttal Testimony of Cedric Hyde.

Exhibit 77. SCE Co.- Additional Prepared Testimony of Ray W. Scofield.

Exhibit 78. SCE Co.- Huntington Beach Generating Station Schedule of Write-off of Costs Incurred for Conventional Units No. 6 & 7.

Exhibit 79. SCE Co.- Prepared Rebuttal Testimony of Larry O. Chubb.

Exhibit 80. SCE Co.- Prepared Testimony of W. H. Seaman.

Exhibit 81. SCE Co.- Fuel Service Agreement Between Southern California Edison Company and Mono Power company.

Exhibit 82. SCE Co.- Prepared Rebuttal Testimony of Robert N. Coe.

Exhibit 83. SCE Co.- Prepared Rebuttal Testimony of Edward A. Myers, Jrs.

Exhibit 84. SCE Co.- Detail of Edison's Energy Management Programs.

Exhibit 85. SCE Co.- Prepared Rebuttal Testimony of Edward A. Myers, Jr.

Exhibit 86. SCE Co.- Detail of Edison's Conservation of Energy and Other Institutional Advertising Programs for 1973.

Exhibit 87. SCE Co.- Additional Prepared Rebuttal Testimony of Edward A. Myers, Jr.

Exhibit 88. SCE Co.- Summary of Recorded and Estimated Sales and Advertising Expense by Activity Catagories for 1972, 1973 and 1974.

Exhibit 89. SCE Co.- Additional Prepared Testimony of Earl R. Sample.

Exhibit 90. SCE Co.- Recorded 1972 and Supplemental Estimates (3-30-73) to Accompany Southern California Edison Company Results of Operations 1972 - 1973.

1973
April

10 Hearing.

Exhibit 91. SCE Co.- Report on the Reasonableness of Prices Paid by Edison for Fossil Fuel During 1972.

Exhibit 93. SCE Co.- Bill Comparisons - California Farm Bureau Witness.

Exhibit 94. CMA- Southern California Edison Company Effects of Revised Fuel Adjustment and Proposed Base Rate Increase Upon Various Classes of Customers.

11 Hearing.

Exhibit 92. SCE Co.- Supplemental Report on the Reasonableness of the Prices Paid for Fossil Fuel January 1, 1973 - April 30, 1973.

23 Response of Farm Bureau in opposition to motion for Environmental Impact Report - (Sierra Club).

Reply of CPUC to Sierra Club motion.

Response of CMA to Sierra Club motion.

Answer of SCE Co. to Sierra Club motion.

24 Hearing.

25 Hearing.

Exhibit 95. (Late Filed 4-25-73) Letter dated April 4, 1973 to California Public Utilities Commission from Furman B. Roberts, City Attorney, City of Orange with the Attached Memorandum Re Summary of Tax Rates for Fiscal Years 1960-61 to 1972-73.

Exhibit 96. (Late Filed 4-26-73) Supplemental Additional Prepared Testimony of Earl R. Sample.

Exhibit 97. (Late Filed 4-26-73) Supplemental Information Relative to Tables 18-A and 19-A (Requested by CPUC Staff) and Table 20-A (Requested by the Presiding Examiner of Southern California Edison Company Results of Operations 1972 - 1973.

Exhibit 98. (Late Filed 4-26-73) Response to Request of Gordon A. Davis (Transcript Page 4510, Line 6).

Exhibit 99. (Late Filed 5-16-73) Copy of letter dated March 30, 1973 to CPUC from Southern California Edison Company with Attached Advice Letter No. 375-E.

1973

April

26 Hearing - Submitted subject to briefs due May 21 and June 5.

May

9 Appeal of Center for Law In The Public Interest to overrule Examiners ruling denying motion to compel an Environmental Impact Report.

18 Objection by SCE Co. to Appeal to overrule examiner.

21 Opening briefs filed.

June

5 Closing briefs filed.

Sept.

25 Decision 81919 authorized revised rate schedules.

October

4 Petition for rehearing by Sierra Club.

10 Rate schedules authorized by Decision 81919 placed in effect.

19 Answer to petition for rehearing by SCE Co.

30 Decision 82072 authorized revised rate schedules. (industrial)

1973
November

2 Rate schedules authorized by Decision 82072 placed in effect.

1974
January

15 Decision 82351 rehearing denied.

28 Hearing.

Exhibit 100. SCE Co.- Supplemental Testimony of W. H. Seaman.

Exhibit 101. SCE Co.- Summary of Energy Resource Projects and Budget Under the Fuel Service Agreement Between Southern California Edison Company and Mono Power Company. Budget Year, 1/1/27-12/31/73; Budget Year, 7/1/73 - 6/30/74; Budget Year, 1/1/74 - 12/31/74.

Exhibit 102. SCE Co.- Comparison: Southern California Gas Company - GEDA Procedure (Decision No. 81898) Vs. SCE - Mono Fuel Service Agreement (Exhibit No. 81).

Exhibit 103. SCE Co.- Calculation of SCE-Mono Fuel Service Agreement Adjustment.

Exhibit 104. SCE Co.- Application No. 53488- Comparison of Summaries of Earnings Exhibit No. 90 Vs. Exhibit No. 97. (Presented 1-29-74).

29 Hearing.

Exhibit 105. Mono Power Company - Fuel Resources Exploration & Development Projects Minimum Commitment.

30 Hearing.

Exhibit 106. Proposed Accounting for Exploration and Development Activity. (CPUC)

Exhibit 107. CPUC- Prepared Testimony of K. K. Chew.

Exhibit 108. Staff Summary of Energy Resource Projects and Budget Under the Fuel Service Agreement Between Southern California Edison Company and Mono Power Company - Budget Year January 1, 1973 to December 31, 1973.

Exhibit 109. Staff Summary of Energy Resource Projects and Budget Under the Fuel Service Agreement Between Southern California Edison Company and Mono Power Company - Budget Year 1/1/73 - 12/31/73.

Exhibit 110. Staff Summary of Energy Resource Projects and Budget Under the Fuel Service Agreement Between Southern California Edison Company and Mono Power Company - Budget Year 1/1/74 - 12/31/74.

Exhibit 111. Staff Summary of Energy Resource Projects and Budget Under the Fuel Service Agreement Between Southern California Edison Company and Mono Power Company - Budget Year 1/1/74 - 12/31/74.

Exhibit 112. SCE- Recalculation of CPUC Staff Adjustments to SCE-MONO Fuel Service Agreement Adjustment Calculation.

1974
February

11 Opening Briefs filed.

19 Closing briefs filed.

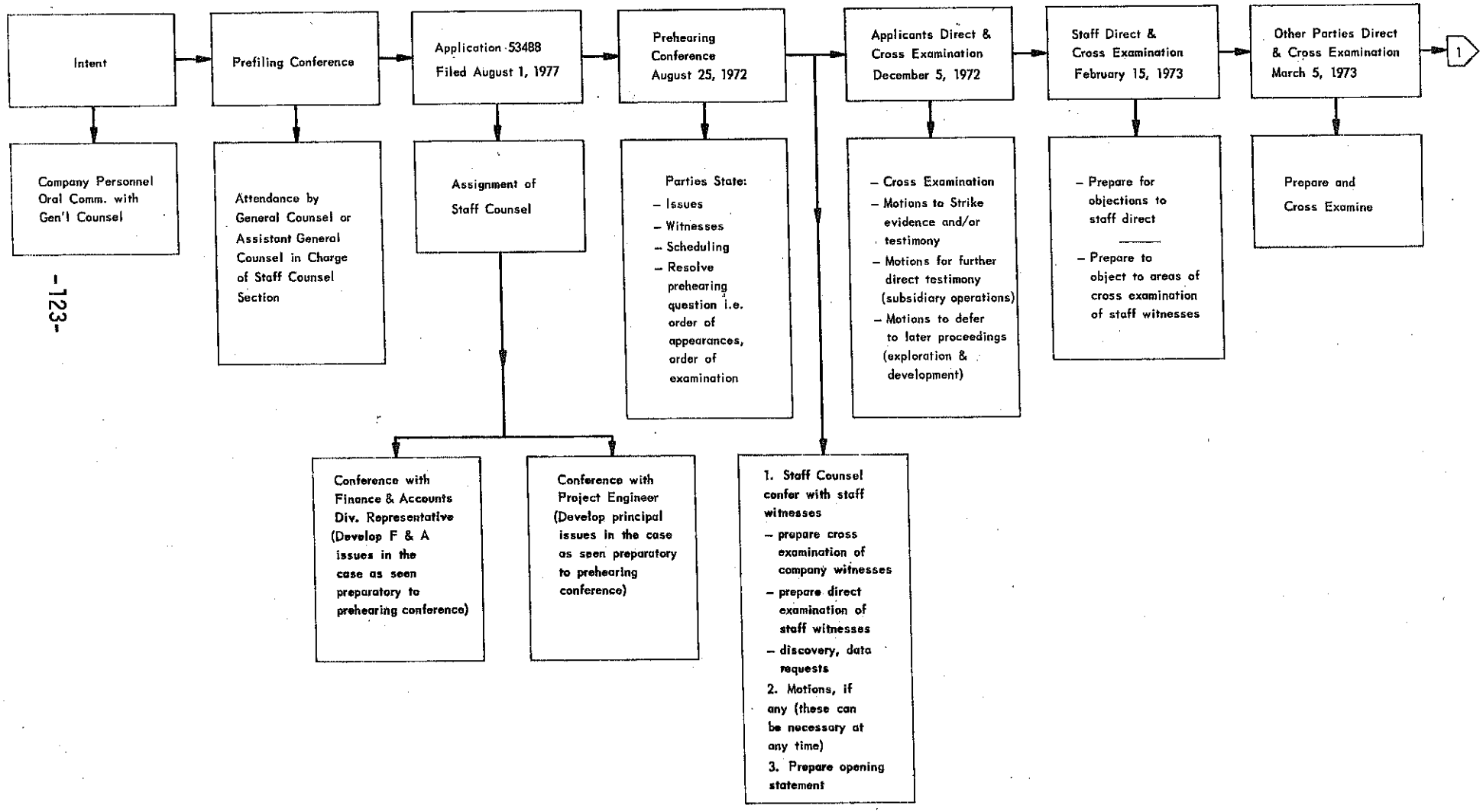
March

5 Statement of Position by Farm Bureau filed.

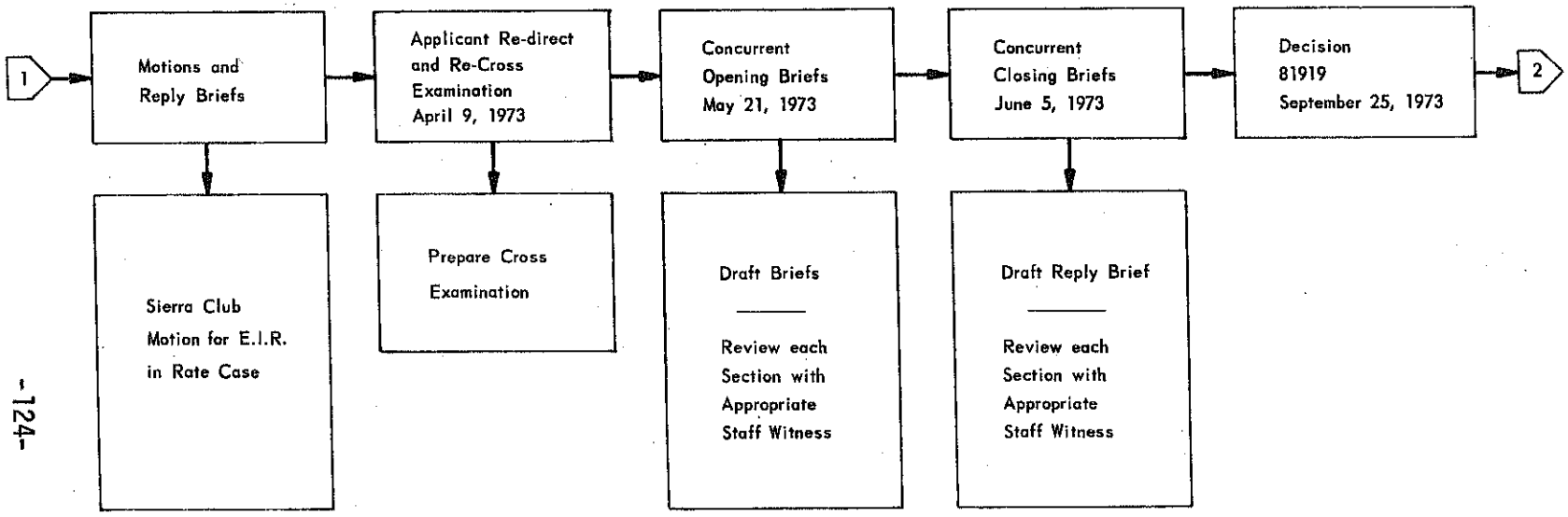
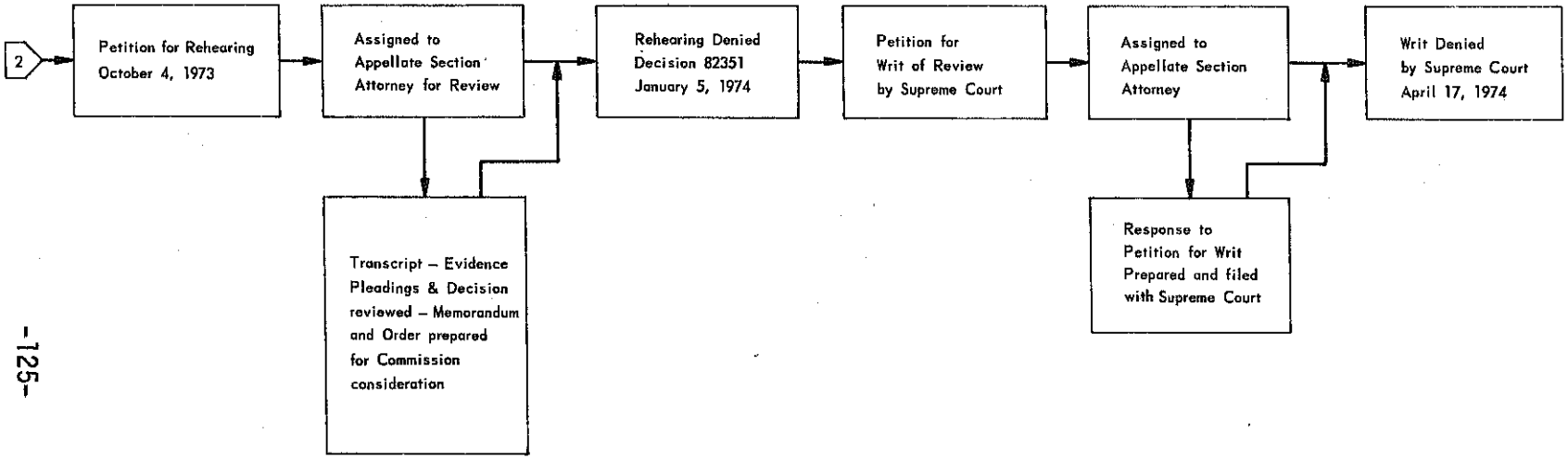
April

17 Petition for review denied by Supreme Court.

SOUTHERN CALIFORNIA EDISON CO. APPLICATION 53488
LEGAL DIVISION WORK COORDINATION AND PARTICIPATION PATH



SOUTHERN CALIFORNIA EDISON CO. APPLICATION 53488
LEGAL DIVISION WORK COORDINATION AND PARTICIPATION PATH



SOUTHERN CALIFORNIA EDISON CO. APPLICATION 53488
LEGAL DIVISION WORK COORDINATION AND PARTICIPATION PATH