

**TOTAL QUALITY MANAGEMENT:  
A SURVEY OF STATE REGULATORY COMMISSIONS**

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## FOREWORD

Total quality management (TQM) is a much discussed and widely used approach intended to improve the functioning of public and private organizations throughout the world. We knew that some commissions were using or experimenting with TQM but there had been no organized effort to find out such basic facts as how many and with what success. John Dial, Executive Director of the Pennsylvania Public Utility Commission, expressed interest in an NRRI survey on TQM. Neal Shulman, Executive Director of the California Public Utilities Commission and Chairman of the NARUC Staff Subcommittee on Executive Directors, also endorsed an NRRI effort to assess commission experience with TQM. The survey was conducted and reported on at the Regulatory Directors Conference this past spring. This report reviews the results of the survey.

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## Introduction

Total quality management, or "TQM,"<sup>1</sup> is the latest in a long line of tools promoted as an antidote to the more debilitating and ingrained foibles of bureaucracy. Numerous organizations, both public and private, have adopted total quality management principles in the last few years. Others have decided that this approach, which, if it is to fulfill its promise, is likely to be expensive and time-consuming, is not something they need or want. In the winter of 1993 the National Regulatory Research Institute (NRRI) was asked to survey executive directors at the state regulatory commissions to find out what, if anything, they have done or are planning to do to use total quality management. The findings were presented at the Regulatory Directors Conference in Pittsburgh on May 3, 1993. This report reviews the results of the survey, which concluded that while only a few commissions have actually implemented TQM, they generally consider it valuable. Interest on the part of other commissions is widespread, although it is too early to tell whether TQM will ever spread to a larger bloc of commissions.

## Total Quality Management Defined

Total quality management has been defined as "involving everyone in the organization in controlling and continuously improving how work is done, in order to meet customer expectations of quality."<sup>2</sup> The prophet of total quality management is W. Edwards Deming, an American who first brought his system of statistical quality control to Japan. Only in the 1980s was he rediscovered, lionized, and his precepts

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<sup>1</sup>For the purposes of this report, I will ordinarily adhere to the designations total quality management and "TQM." Other terms are sometimes used by state regulatory commissions and others to describe TQM and related concepts.

<sup>2</sup>David K. Carr and Ian D. Littman, *Excellence in Government: Total Quality Management in the 1990s* (Arlington, VA: Coopers & Lybrand, 1990), 3.

adopted by giants of American industry like Ford Motor Company. Some utility companies have been among the converts to total quality management. Florida Power and Light (FP&L), for example, was the recipient of a prestigious Deming prize awarded by the Japanese for outstanding performance in achieving quality throughout the company. Many different sorts of government agencies have also embarked on total quality management programs, from the U.S. Navy to small cities.<sup>3</sup> The Office of Management and Budget has summarized components of TQM as they would exist in a company or agency using a full-fledged TQM approach under seven headings, some of which deal more with human resource issues and others with statistical process control:<sup>4</sup>

1. Involvement of top management: Senior managers take the lead in improving quality and productivity, working to establish an environment that encourages innovation, trust, open communications, and pride in work. Managers create the organizational structure, resources, and training needed to provide continuous improvement. They remove barriers to progress, deregulating work and discouraging a focus on short-term problems at the expense of the long-term process of improvement in quality.
2. Strategic planning: Both short-term and long-term goals for improvement in quality are established and integrated into a strategic plan. The plan is a dynamic one that allows for changes in organizational environment. At sub-organizational levels, business plans provide the details for the strategic plans, and managers are held accountable for their achievement.

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<sup>3</sup>Mary Walton in *Deming Management at Work* (New York: Perigee, 1991) provides case studies of FP&L and the government agencies mentioned. For a detailed introduction to the history and techniques of TQM, see Mary Walton, *The Deming Management Method* (New York: Perigee, 1986).

<sup>4</sup>Office of Management and Budget, "Description of Total Quality Management (TQM)," in Robert B. Denhardt and Barry R. Hammond, *Public Administration in Action* (Pacific Grove, CA: Brooks Cole, 1992), 349-351.

3. Focus on customers: The primary task of the TQM-inspired organization is to satisfy internal and external customers.<sup>5</sup> To accomplish this, management and employees work continually to assure full and open communication with customers, assessment of their needs and measurement of whether those needs have been met.
4. Emphasis on training: TQM places a priority on human resource development. One way that this is manifested is in the high degree of investment in training. All managers and employees receive training that makes them aware of quality and how to constantly achieve it. Plans for training are integrated into the overall strategic plan. Managers assume that employees want to do a good job and they provide broad, innovative recognition and rewards for team quality and productivity improvement.
5. Employee empowerment: Teams and networks, rather than hierarchy, provide the structure for accomplishment. Work is delegated to the lowest possible level of the organization, allowing every employee to feel "ownership" of quality improvement.
6. Measurement and analysis: There is an emphasis on acquiring and using information on processes and outputs to identify problems, solve them and verify that the expected results are achieved. The "plan, do, check, act" cycle of TQM particularly emphasizes measurement of customer satisfaction.
7. Quality assurance: How well products, services and processes meet customer needs and expectations is controlled and maintained. Quality is benchmarked against the "best" in comparable organizations.

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<sup>5</sup>In thinking about the applicability of TQM to state regulatory commissions, the term that might give a regulator pause is "customers." A commission's customers would include any group inside or outside with which over a period of time it has a service relationship. A division or bureau might be an internal customer. For example, if a Division of Rates and Tariffs provided data to a Division of Planning, the latter would be the former's customer. The Rates and Tariffs Division would, in turn, be a customer for the Planning Division's plans. External customers could include the Governor's Office, ratepayers, public interest groups, and the jurisdictional utilities.

David Osborne, coauthor of *Reinventing Government*,<sup>6</sup> the best selling peroration to a rethinking and restructuring of hierarchical, rule-bound government agencies, pointed out in a recent article in *Governing* magazine that Deming himself originally had doubts about the applicability of his principles to the public sector. Deming has since changed his views, says Osborne, and several of his principles can and should be used by innovative public organizations. But he warns that "when transplanted to public soil...Deming's ideas need a few additions."<sup>7</sup> Osborne says that TQM's emphasis on quality, measurement, empowerment, prevention and systems (rather than employees) applies to all organizations, whether business or government. But he lists other necessities of reinvented government that are beyond the reach of traditional TQM approaches: (1) agencies moving from monopoly to competition,<sup>8</sup> (2) catalyzing solutions throughout society rather than simply delivering public services, (3) pushing control of solutions out into the community, (4) earning public dollars and not just spending them, and (5) clarifying agency missions.

One of the differences between public and private organizations noted by Osborne is that government agencies often have conflicting purposes. This is certainly true of state regulatory commissions, which must balance the interests of ratepayers and utilities, two very different groups of customers, to find just and reasonable rates.

### Origin and Rationale of the Survey

Knowing that some commissions were using TQM and others were interested in learning more about it, John Dial, Executive Director of the Pennsylvania Public Utility

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<sup>6</sup>David Osborne and Ted Gaebler, *Reinventing Government* (Reading, MA: Addison Wesley, 1992).

<sup>7</sup>David Osborne, "Why Total Quality Management is Only Half a Loaf." *Governing*, August 1992, 65.

<sup>8</sup>This refers to government organizations competing with each other, not to competition in regulated industries, the concept that might first come to mind for regulators.

Commission, expressed interest in information that a survey might provide and thought the NRRI would be the appropriate organization to do it. Neal Shulman, Chairman of the NARUC Staff Subcommittee on Executive Directors, endorsed an NRRI effort to seek information on the use of TQM as a means of controlling and improving the work of state regulatory commissions. The NRRI designed a survey to determine, first, what states are using TQM and what their experience has been with it; second, whether there is any apparent difference between states that are using TQM and those that are not; and, third, whether there is a discernible trend toward or away from further use of TQM by commissions. A draft was reviewed by Neal Shulman and by John Dial. The survey was sent to executive directors at the 50 state regulatory commissions and the District of Columbia Public Service Commission on Feb. 1, 1993. Executive directors or their deputies at 32 commissions completed the survey. Staff at the North Carolina, Maryland, and Nebraska Commissions responded that they are not using TQM but did not complete the survey. Appendix A is the survey and Appendix B lists the respondents, plus state abbreviations used in some of the tables that follow. Discussion of the results will first focus on those commissions that have begun using TQM, then on approaches by commissions, whether or not they are formally using a quality program, to some of the elements that characterize a quality approach. Finally I will take a look at the prospects for further diffusion and adoption of TQM by state regulatory commissions.

### Commission Use of TQM

Seven commissions have begun using or have made a formal decision to use TQM (see Table 1). Of those, only the Wisconsin Public Service Commission considers TQM to be fully implemented and accepted as a management framework. Wisconsin began use of TQM in 1989, two years before any other commission. Appendix B excerpts from the Wisconsin PSC *Strategic Business Plan* the mission statements, goals, strategies, and critical processes that summarize the commission's quality improvement effort. The commission, according to Secretary Jacqueline K. Reynolds, has made a strong and successful commitment to long-term customer satisfaction, constant improvement,

**TABLE 1**

**ACTUAL USE AND INTENTION TO USE TQM**

		Actual Use of TQM				Totals
		Never considered	Considering	Using or decided to use	No response	
Intention to use TQM	Low	AL, DE, KY, LA, MN, NMCC <sup>1</sup>	IN, NH		MS	9
	Medium	AK, AR, CA, MO, NMPSC <sup>1</sup>	AZ, DC, IL, IA, MT, UT	MI		12
	High		ME, SC, TX	OH, TN, CO, NY, WI		8
	No response	MD <sup>2</sup> , NC <sup>2</sup> , NE <sup>2</sup> , NJ	FL	OR		6
Totals		15	12	7	1	35

Source: Commission responses to questions 12 and 27, 1993 NRRI Survey on Use of Total Quality Management by State Regulatory Commissions, February 1993.

- Both the New Mexico Corporation Commission, which regulates the telecommunications industry, and the New Mexico Public Service Commission, which regulates the electric and gas industries, responded to the survey.
- The North Carolina Utilities Commission, Maryland Public Service Commission, and Nebraska Public Service Commission notified the NRRI that they do not have TQM programs but did not participate in the survey.

employee involvement, ongoing training and data-based decision-making. Reynolds says, however, that the greatest change that has taken place has been in management behavior and philosophy that supports the other aspects of quality improvement.<sup>9</sup>

Colorado, Michigan, New York, and Oregon have begun to implement TQM and reported that they are evaluating it for further use. The Colorado Public Utilities Commission began a program of "continuous quality improvement" in May 1992. Michigan's program began in September 1992. In New York, a formal decision to use TQM was made in September 1991, but is not being imposed from above. Instead, TQM is spreading on the initiative of sub-units. The Oregon Public Utility Commission has spent substantial money, time, and effort to begin a TQM program but is still largely in the early stages of its development. Ohio and Tennessee have made a formal decision to use TQM and are beginning to execute those decisions. Twelve commissions were considering use of TQM at the time of the survey, with various degrees of energy and interest. Neal Shulman, for example, says that the California PUC is engaged in "a mental reorganization" that may or may not lead to adoption of TQM. Another 13 commission staffers said their commissions had never considered using TQM. Since the survey was conducted, New Jersey, shown on Table 1 as never having considered TQM, has begun to explore the possibility of implementing a quality approach.

Table 1 also shows which commissions intend to use TQM in the near future or, if they are already using it, expect to continue to do so. Staff members were asked to pick a probability from 0 to 100 percent that they would begin using or keep using a quality improvement program. Those estimating less than a 50 percent chance of using TQM were considered "low" on intention to use; from 50-75 percent, "medium"; and greater than 75 percent, "high." All eight of the commissions in the "high" category in fact were 100 percent sure that they would use TQM, except for New York (90 percent) and South Carolina (91 percent). Three commissions (Maine, South Carolina and Texas) that said

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<sup>9</sup>Jacqueline K. Reynolds, "Quality Improvement: The Public Service Commission of Wisconsin Experience, 1988-1993," paper presented to the NARUC Executive Directors Conference, Pittsburgh, Pa., May 3, 1993.

their intention to use TQM was high were still at the consideration stage on actual use of TQM. Twelve states gave middling estimates of intention to use TQM, including one, Michigan, that reported already using it. As would be expected, the nine states that said their intention to use TQM was low had for the most part not given it much attention.

Top commission staff was usually the source of the idea of using TQM, rather than commissioners or governors (see Table 2). Respondents from Wisconsin, Colorado, and Texas cited state organizations as the source of the TQM initiatives. In Wisconsin this is the Administrative Council and Quality Leadership Council; in Colorado, the Department of Regulatory Agencies; and in Texas, the Governor's Management Development Center. In Ohio, all executive agencies are involved as a result of commitment to TQM by the governor. Staff members cited little reliance on consultants for the actual implementation of TQM (survey question 15). In all but two cases out of a total of 14 responses, commission staff rather than consultants were said to be largely responsible for putting TQM into effect.

<b>TABLE 2</b>	
<b>SOURCE OF TQM IDEA</b>	
	Number of Commissions
Governor	1
Commission Chairman	2
Commissioner	1
Top Commission Staff	9

Source: 1993 NRRI Survey, question 14.



The NRRI survey asked what groups have been or are being helpful in bringing TQM to the commissions. Participants were asked to rank their responses on a scale of 1 to 7 from not supportive to very supportive. Table 3 shows the results. A median score higher than 5 was considered "very supportive"; 5, "supportive"; and 4 to 4.9, "neutral." The commission chairman, governor's office, and commission staff were named as the most supportive, followed by commissioners, utilities, state legislatures, and consultants. Other groups mentioned were NARUC, the NRRI, other states, the federal government, consumers' groups, and professional organizations.

Most of the commissions considering or actually using TQM were or would be applying it throughout the organization. Several, however, were at least beginning with a smaller portion of the agency. In Michigan, this is the Management Services Division; in Illinois, the Transportation Division; in Arizona, all but the commissioners' offices; in Utah, the Division of Public Utilities; and in Ohio, the Administration and Transportation Departments. In New York, TQM is being allowed to spread "by contagion, not by edict," according to Secretary John J. Kelliher. As of the time of the survey, it had begun to take root in Office Services, Consumer Services, the Organizational Assessment Team, and the Office of Utility Efficiency and Productivity.

Training is an integral part of TQM and the survey attempted to ascertain who was or is receiving it, the areas covered, how much is being given and plans for more, as detailed in Table 4. The extent of training in TQM philosophy and techniques varies from initial forays by key commission staff to whole-agency training at the Colorado, Ohio, Oregon, Tennessee, Texas, and Wisconsin commissions. Staff is receiving training in general principles of TQM, concepts and processes, and some specific subject areas. Three days of training per employee was most commonly mentioned, but up to 10 person-days have been used for facilitator training. Training tends to be an ongoing fact of the TQM approach at this point for commissions that have begun to immerse themselves in the quality approach.

TABLE 3		
GROUPS SUPPORTING BRINGING TQM TO THE COMMISSIONS		
Type of Group	Number of Respondents	Degree of Support
Utilities	14	Supportive
Top Commission staff	11	Very supportive
Governor's office	8	Very supportive
Commission staff	10	Very supportive
Commission chairman	12	Very supportive
Commissioners	10	Supportive
State legislature	6	Supportive
Other state agencies	6	Supportive
Federal government	3	Neutral
Consultants	7	Supportive
Other states	4	Supportive
NARUC	4	Supportive
NRRI	3	Very supportive
Consumer's groups	3	Neutral
Professional organizations	4	Neutral

Source: 1993 NRRI Survey, question 14.

Only four states reported the approximate costs of considering and implementing TQM. Wisconsin estimated that continuing training is costing \$20,000 a year. Colorado estimated \$40,000. Ohio gave a low of \$5,000 and a high of \$50,000 for their costs, but estimated that by the time initial training was completed the "soft costs" would be approximately \$250,000. Oregon had spent \$90,000 on TQM over two years and was

budgeting another \$80,000 in the next fiscal year, for a total of \$170,000. According to Nancy Towslee, Executive Secretary of the Oregon PUC, the commission has used four to six different consultants and "every little problem got magnified."<sup>10</sup>

An assessment of the emphasis being given to various elements of TQM to date and over the next two years was requested in the survey (question 23). Responses varied considerably from commission to commission but in general suggest that the major emphasis now and in the near future is on top management leadership, focusing on customers, training staff, and promoting teamwork. Somewhat less emphasis will be placed, on average, on other training, rewarding employees, promoting innovation, measuring performance and strategic planning.

The NRRI survey requested information on jurisdictional utilities using TQM as well as on commission use (see Table 5). Fourteen states mentioned utility companies that were using TQM. Six commissions said they reviewed one or more of the utilities' TQM plans. Four said that they participated in training or the development of TQM at the utilities.

#### The Value of TQM in the Context of Existing Commission Management

For the cost, will TQM bring performance improvements that are expected to be greater than are already being achieved or would be likely to result using other methods? The NRRI survey asked the executive directors whether they thought TQM would be worth the effort for their commissions and posed several questions focused on estimates of existing performance and use of TQM approaches, whether or not these were being applied in the context of a formal quality management approach.

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<sup>10</sup>Executive Secretary Nancy Towslee, telephone interview by author April 30, 1993.

**TABLE 4**

**TQM TRAINING**

State	Training Recipients	Training Areas	Number of Days of Training per person	Plans for Further Training
Colorado	Management team first, three separate TQM project teams, about one half of remaining employees have received training. All employees will receive training.	Team-based continuous improvement process, process mapping and analysis tools, customer expectation measurement, problem solving, understanding and evaluating business process, meeting management concepts/processes/principles for all employees. Significantly more direct training on application skills was provided to first TQM project team.	Three-day initial training on general TQM.	Follow-on training, using just-in-time training concepts, will be provided as appropriate. Departmental and agency TQM facilitators will receive extensive additional training to achieve self-sufficiency in the future.
District of Columbia	Executive director.	Participated in training.	Not yet known.	--

TABLE 4 -- Continued

State	Training Recipients	Training Areas	Number of Days of Training per person	Plans for Further Training
				--
Florida	The two Deputy Executive Directors (technical and administrative) and the Director of Administration.	--	One.	--
Illinois	Transportation Division members received introductory training/information in TQM philosophy.	Overview/philosophy.	Twenty-four.	Under consideration
Michigan	Finance, personnel, contract/grant administration.	Finance/budget - personnel-contractual -departmental services.	Five.	As needed for projects which develop.

TABLE 4 -- Continued

State	Training Recipients	Training Areas	Number of Days of Training per person	Plans for Further Training
New York	Training was on a volunteer basis to date, with trainees then running TQM experiments. Growing demand for formal training programs.	--	No set number.	Human services.
Ohio	All supervisors in the transportation and administration department have received training as well as the chairman, members, or pilot project quality improvement team and union leadership.	Group dynamics/team building, inter-personnel communication skills, history of TQM, some very basic statistical process control tools, problem solving process, quality improvement.	Three.	--
Oregon	All 440 employees.	Introductory tools.	Three.	Managers have not been trained yet.

TABLE 4 -- Continued

State	Training Recipients	Training Areas	Number of Days of Training per person	Plans for Further Training
Tennessee	Every employee.	General principles, use of measurement tools, team concepts, leadership/facilitator training.	Three days plus two half days.	None. Have developed inhouse training and are training some other state agencies.
Texas	"Train the Trainer." Ultimately, entire Commission staff.	Six-step problem solving process, the nine-step quality improvement process, interactive skills, and group facilitation.	Approximately 100 hours for trainer. The training tentatively envisioned for Commission staff would take approximately 24 hours.	--
Utah	--	Customer service (public) reports, testimony, service.	--	--

**TABLE 4 -- Continued**

State	Training Recipients	Training Areas	Number of Days of Training per person	Plans for Further Training
Wisconsin	A series of six introductory modules were provided for all employees, and will be completed this year. Senior management has received more intensive facilitator training and other training in TQM.	<p>                     QI Introduction, meeting skills teams and teamwork communications, conflict resolution and quality improvement tools were included in the basic module. Facilitator training covered the same areas, but much more intensively.                 </p>	<p>                     Three and one-half to four for basic modules. Ten for facilitator training, plus additional conferences and special training.                 </p>	<p>                     Planning is being developed by staff training and development committees on an ongoing basis. New training areas will be developed as required to implement new phases of the strategic plan.                 </p>

Source: 1993 NRRI Survey, questions 17-20.



**TABLE 5**  
**UTILITIES USING TQM**

State	Names of Utilities	Commission Involvement
Arizona	Arizona Public Service Citizen's Utilities.	Reviewed
Colorado	U S WEST, Sprint.	Participated in.
Delaware	Diamond State Telephone Company.	Not involved.
D.C.	Washington Gas, C&P Telephone.	Participated in training.
Florida	Florida Power & Light and Gulf Power.	Reviewed.
Illinois	Commonwealth Edison, Illinois Bell, Illinois Power, GTE.	Reviewed, participated in, not involved.
Maine	Central Maine Power.	Not involved.
Minnesota	Peoples's Natural Gas Co., perhaps others.	Not involved.
New York	Several are at least experimenting.	Reviewed.
Ohio	United/Sprint. Ohio Bell, East Ohio Gas, Centerior.	Reviewed.
Oregon	Portland General Electric, NW Natural Gas.	Not involved.
Tennessee	South Central Bell, GTE.	Not involved.
Texas	Lufkin-Conroe Telephone Exchange.	Reviewed.
Utah	U S WEST, Utah Power & Light, Mountain Fuel.	Reviewed
Wisconsin	Wisconsin Public Service Corp., Wisconsin Power & Light, Wisconsin Bell.	Not involved, participated in training.

Source: 1993 NRRI Survey, question 8.

Table 6 shows how the executive directors estimated the value of TQM. Not surprisingly, staff at commissions that are using TQM or have decided to do so tend to be convinced of its value. The many executive directors who have never used TQM or are in the early stages of consideration are disposed to think that it might be worthwhile.

But the question of whether TQM is valuable should not be considered in isolation from existing performance and quality-related activities. The NRRI included in its survey a number of questions intended to cast light on how good a job commissions already think they are doing and existing commission management practices that might be "TQM-like" without full adoption of TQM. These could include employee reward systems, degree of delegation of work, training, strategic planning, emphasis on innovation and existing use of quantitative measures. On these important dimensions the survey questions were probably not sensitive enough to pick up fundamental differences between commissions using a TQM approach and those which are not. Nonetheless the results suggest that commissions are frequently accomplishing a good deal without full-fledged commitment to a quality improvement program in the Deming style. In Florida, for example, despite a concerted push by Governor Lawton Chiles to bring TQM to state government, the Florida Public Service Commission has thus far declined to adopt a formal TQM program. (The PSC is not an executive agency under the authority of the governor and thus cannot be ordered to adopt TQM.) The Commission has suggested to the Governor's Office that "although there are additional refinements and improvements to be made, the PSC has had major aspects of TQM in place for over a decade and a mature TQM culture already exists".<sup>11</sup> Appendix D is the letter and documentation on performance and innovation at the Florida PSC.

When asked to evaluate trends in commission performance, 26 executive directors said performance was improving, four that it was remaining constant and only one that it was declining. Neal Shulman remarked that the California PUC, although not using TQM, "is on the cutting edge of regulation in virtually all regulated industries."

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<sup>11</sup>David L. Swafford to John Pieno, October 28, 1992.

**TABLE 6**  
**VALUE AND ACTUAL USE OF TQM**

		Value of Using TQM					No Response	Totals
		No	Maybe	Somewhat	Too early to tell	Definitely		
Actual Use of TQM	Never considered	AL	AR, CA, DE, KY, LA, MN, NMPSC, NMCC			MO, NJ		11
	Considering		DC, IN, MT	AZ, IL, NH, UT	AK	IA, ME, SC, TX	FL	13
	Using or decided to use			MI	OH, NY	CO, TN, WI	OR	7
	No Response						MS	1
	Totals	1	11	5	3	9	3	32

Source: 1993 NRRI Survey, questions 12 and 26.

Dan Ross, Director of the Administration Division at the Missouri Public Service Commission said, "Reorganization in [fiscal year 1990] refocused on communication and performance followed." Wynn Arnold of New Hampshire pointed to "ongoing self-examination, annual planning processes, and involving staff in solution of problems" as reasons for improvement at his commission. And Rick Lancaster, Executive Secretary of the Minnesota Public Utilities Commission, used a TQM term to express his satisfaction with commission performance, saying, "Workload is increasing, while 'defects' are greatly reduced."

Table 7 shows methods of motivating employees to be more creative or innovative in carrying out their responsibilities. Only two commission staff members said there were no deliberate procedures for motivating employees to innovate. Support, such as release time or payment of registration fees for employees to attend professional conferences, workshops, and meetings was the incentive most often mentioned as already used. Personnel evaluation procedures emphasizing innovative performance was the next most frequently mentioned incentive. Nineteen respondents said their commission formally recognized innovative employees through devices such as an employee of the month, recognition in a commission newsletter or other means. Eleven commissions reported special financial incentives for innovative ideas and two said they had created more desirable working conditions for innovative employees. Among TQM states, Wisconsin reported more decision making done at the employee, team and lower management level as a motivational technique; Ohio said there was special recognition for those involved in quality improvement plans; Colorado responded that it had a suggestion program with financial and time-off rewards; and New York cited informal recognition as a reward. Among non-TQM states, New Hampshire said an employee task force was studying additional methods of recognizing and encouraging outstanding performance. South Carolina reported an emphasis on personal/professional development through training and education.

The numbers and brief mention of types of rewards may not tell the full story on employee recognition. What may be more important for motivation and achievement

**TABLE 7**  
**METHODS OF MOTIVATING EMPLOYEES TO BE INNOVATIVE**

	Number of Commissions
Financial incentives	11
Formal recognition	19
Support	25
Personnel evaluation	21
More desirable working conditions	2
No deliberate procedures	2

Source: 1993 NRRI Survey, question 7.

are qualitative shifts in attitude and behavior among TQM states, or non-TQM states that have implemented some aspects of quality management.

Under a TQM regime, special effort is devoted to delegating work down to the lowest level possible, and work allocations are part of a team effort. The survey did not delve into the area of delegation and teamwork in depth but did ask whether work was allocated entirely from the top down, mostly from the top down or both from the bottom up and the top down. The expectation was that non-TQM commissions place more reliance on a command and control system, and that this would be particularly likely to be evident in the area of task assignments. In fact, few commissions report exclusively top down work allocation (see Table 8). And whether or not they have TQM programs, most commissions are already doing at least some training on improving quality and productivity, as shown in Table 9.

Long-range planning is a critical element of quality improvement programs that can be accomplished with or without adoption of TQM in toto. Only the respondents in Wisconsin and New Jersey, one a TQM state and one not, reported having a strategic plan in existence. Another nine, a mix of TQM and non-TQM states, said they were

TABLE 8	
HOW COMMISSION WORK ALLOCATIONS ARE MADE	
Number of Commissions	
Top down	6
Mostly top down	10
Both	11

Source: 1993 NRRI Survey, question 9.

TABLE 9	
EXTENT OF COMMISSION STAFF TRAINING ON QUALITY AND PRODUCTIVITY	
Number of Commissions	
A little	7
Some	14
A lot	6
None	2

Source: 1993 NRRI Survey, question 1.

developing one. Those plans are for Colorado, Illinois, Indiana, Minnesota, Montana, New York, Ohio, Oregon, South Carolina, and Texas. Only a few respondents gave the timespan covered by their plans. Four respondents said the plan did or would cover a five-year time period, one said three years, and one said six years. The unit responsible for planning was usually top administrators. Broad participation was reported in the preparation of the plans. Executive directors more often than commissioners were reported to be actively involved in strategic planning. New York's and Wisconsin's executive secretaries reported the active involvement of their commission chairmen. Both short-run and long-run performance goals were typically included in commissions' strategic plans.

The survey asked what major new practices, policies, programs or tools the commission had started using in the five-year period between 1988 and 1992. And, as shown in Appendix E, the number and types of innovations reported were substantial. In the categories of telecommunications, electric and gas regulation, 14 commissions (not necessarily the same ones in each category) named innovations. Nineteen commissions reported innovations in administration and eight in water utility regulation. Although the innovations were of varying import, breadth, and complexity, the results suggest that innovation is a normal part of commission activity, with or without TQM.

An essential aspect of TQM is the development and use of key quantitative measures of performance. The survey asked what such measures the commissions use to tell whether they are doing a good job with their principal external customers -- ratepayers, regulated utilities, the state legislature and other individuals or groups. Appendix F details the results, which show that the state regulatory commissions are concerned about feedback on their actions and look to a variety of ways of assessing how they are doing. Much of that assessment is qualitative rather than quantitative, but, there is no clear difference between TQM and non-TQM states. The Florida Commission, for example, not an adopter of TQM, lists numerous quantitative indicators of performance (see Appendix D). Neal Shulman of California summed up what seems to be a frequent approach by saying that the California PUC does not place extensive reliance on numbers, "but does keep its ear to the ground and generally knows when the various parties to its processes are happy or unhappy." At the other end of the spectrum is Colorado, a TQM-state, which reports the following measures to assess performance on that vital customer group, the ratepayer:

- Trend analysis of rates over time
- Comparison of rates with other states
- Adequacy of service
- Cost of our administration per ratepayer (\$2.87 per year)

The Texas commission, which is at the beginning of a process of implementing TQM, uses a weighted average of single-line residential and business telephone rates in

Texas as a percent of the national average to measure performance with ratepayers. In electricity, Texas uses the average cost of electricity per kilowatt hour in Texas for residential, commercial, industrial and the total of all classes as a percent of national averages.

Consumer complaint data, tracking of utility quality of service, and feedback from community meetings were other measures mentioned by the respondents to assess how well a commission was doing with ratepayers. The Arizona Corporation Commission noted that election of its commissioners can be considered a quantitative performance measure. For the regulated utilities, commission staffers mentioned various financial indicators, such as earned return on common equity, the number of decisions appealed to the courts, and how often rate cases were filed. The Texas Commission said that to help assess utility performance they use a weighted average of earned rates of return on equity in Texas as a percent of the allowed rates of return on equity granted by regulatory agencies nationwide.

For the state legislature as a customer, measures that were mentioned included agency appropriations, approval of commission contract requests, number of cases not completed within a statutory timeframe and sunset review outcomes. Other customer groups and measures associated with commission performance that were reported included the press and its coverage of commission actions and trends in participation by intervenors.

### Trends and Prospects

Will more commissions start using total quality management programs until they become accepted management practice? Or is TQM slated to go the way of other promising but short-lived management innovations?

Table 10 shows both how commissions participating in the NRRI survey assessed the value of TQM and their intention to use it. From the table it appears that several



TABLE 10

## VALUE AND INTENTION TO USE TQM

		Value of TQM						
		No	Maybe	Somewhat	Too early to tell	Definitely	No Response	Totals
Intention to use TQM	Low	AL	DE, IN, KY, LA, MN, NMPSC, NMCC	NH			MS	10
	Medium		AR, CA, DC, MT, NM	AZ, IL, MI, UT	AK	IA, MO		12
	High				NY, OH	CO, ME, SC, TN, TX, WI		8
	No Response						FL, OR <sup>2</sup>	2
	Totals	1	12	5	3	8	3	32

Source: 1993 NRRI Survey, questions 26 and 27.

states that have not already taken the plunge into TQM are very interested and may be heading in that direction. Respondents from Maine, South Carolina, and Texas appear convinced of TQM's value and are actively considering adoption. Respondents from Iowa and Missouri also showed a very positive attitude towards TQM. But they and the respondents from the 10 other states which gave a 50 percent or so estimate of intention to use TQM appear to be still at least somewhat undecided.

For commissions looking into adoption of a total quality management program, the most important question is probably whether the approach indeed accomplishes what it promises. The NRRI asked commissions that have begun to use TQM to evaluate its impact on a range of management dimensions. Improvements were reported across the board (see Table 11). The executive directors were asked to rate the impact of TQM on commission operations on a scale of 1 to 7, where "1" would mean great decline, "4" would be neutral and "7" would be great improvement. With only seven responses, conclusions cannot be drawn. Within the limits of the survey, however, it appears that quality of service, morale and both quality and quantity of new ideas showed the greatest improvement and that costs were for the most part unchanged. All other areas tended to show some improvement.

Summing up the Colorado experience, Executive Director Bruce N. Smith named the following results: "Dealing more effectively with internal and external issues, more effective and open communications, improved teamwork, and better sense of common purpose." Jacqueline Reynolds of Wisconsin said, "We are doing a better job of being pro-active towards major industry trends and towards improvements in customer service and towards improving our own processes." And Paul Allen, Executive Director of the Tennessee Public Service Commission, said, "Workload has increased, performance has not declined, resource allocation has remained steady."

The NRRI asked the executive directors whether they would recommend that other commissions begin using TQM. Four said "yes"; six, "maybe"; and one, "don't know." Explaining her vote of confidence in TQM, Reynolds of Wisconsin said, "TQM principles and teamwork are well-suited to a professional organization, and particularly

**TABLE 11**  
**ORGANIZATIONAL IMPACT OF TQM**

	Degree of Improvement*	
	Median	Mean
Quality of service	6.0	5.9
Morale	6.0	5.3
Efficiency	5.0	5.3
Development of performance measures	5.0	5.3
Use of performance measures	5.5	5.3
Planning	5.5	5.2
Quantity of new ideas	6.0	5.4
Quality of new ideas	6.0	5.7
Costs	4.0	4.8
Relationships with ratepayers	5.0	4.8
Relationships with utilities	5.0	5.4
Relationships with legislature	5.0	4.8
Working relationships within the commission	5.5	5.3
Staff/commission relationships	5.0	4.8

Source: 1993 NRRI Survey, question 24.

\* Rated from 1 to 7 with 7 "great improvement," 1 "great decline" and 4 "unchanged."

**TABLE 12**

**TQM FACILITATORS AND BARRIERS**

Facilitators	Barriers
Top level support	Carryover isolation between commissioners and staff
Commission and industry demand for higher quality regulatory product	Lack of common vision and teamwork
Strong desire of staff for efficiency and innovation	Low morale
Access to qualified consultant	Lack of time
Organizational assessment	Skepticism
Resource availability	Uncertainty of long-term benefits versus costs
Timing	Lack of top level support
	Lack of appropriate training programs and materials
	Outside personnel policies

Source: 1993 NRRI Survey, questions 21 and 22.

well suited to a regulatory commission that requires a multidisciplinary approach to its cases."

For the commission considering establishment of a TQM program, it is instructive to look at both aids and hindrances to adoption. Table 12 summarizes factors identified by respondents that affect development and use of a TQM approach. The most often mentioned facilitator was top level support, whether by the Commission Chairman, Commissioners, or senior management. Illinois Commerce Commission Executive Director Phillip M. Gonet mentioned demand by both the Commission and regulated industry for higher quality regulation in addition to the need for top-level support. A

coming together of recognition of a need and the availability of resources was mentioned by John Kelliher of the New York commission: "We've recently done a thorough organizational assessment which recommended greater employee involvement in all areas of decision making, and resulted in large appropriations of training money. These two coalesced to [make] a number of TQM experiments possible."

A major barrier to the use of total quality management appears to be a combination of skepticism and uncertainty. Again, Kelliher: "I feel it is too 'cultic' -- almost a religion, and have been reluctant to sponsor it department-wide. Our employees have shown some reluctance to adopt its jargon-filled approach as the only one possible."

Smith of Colorado listed several barriers to implementation of TQM: "Carryover isolation between commissioners and staff, lack of common vision and teamwork, low morale, prioritizing work to make time available for TQM and to sustain the commitment to TQM when other workloads are constantly increasing, [and] skepticism that TQM is just another fad."

Gonet of Illinois listed "demands on management time, 'brush fires,' uncertainty of long term benefits versus cost, [and] substantial staff time commitment needed to implement bona fide TQM program" as inhibitors to initiation of a quality management program.

Gary Vigorito, Secretary/Director of Administration of the Public Utilities Commission of Ohio, pointed to "lack of support from the state agency responsible for training." He said, "They are willing to help but training programs for facilitators, statistical process control, etcetera, are not yet in place." Wisconsin's executive secretary, too, remarked on limitations from outside the commission, especially in personnel policies.

One fundamental problem not directly mentioned by the respondents to the NRRI survey is the difficulty of adapting quality programs to government agencies. Such problems as defining mission, focusing on often conflicting customer groups, and earning public support did not surface as commission concerns on the survey.

An article of faith for devotees of quality improvement programs is that they are to some extent all-or-nothing propositions. "You can't try TQM," says Paul Allen, Executive Director of the Tennessee commission. "It's either a firm commitment or it won't work. TQM will show the true strength of an organization's employees at work." On the other hand, Frank Johnson, Director of the Division of Public Utilities in Utah, said, "TQM has benefit but is a buzz-phrase that is used by many to go through the motions with busy-work and not much result. Its benefits are mostly a result of where you start from."

How can a commission considering using TQM reconcile the call for unconditional commitment with a temperately conceived and executed devotion to quality improvement? The answer may be in the "mental reorganization" advocated by Neal Shulman combined with a TQM program that starts small and focuses on "critical processes" particularly amenable to a TQM approach. This appears to be what is happening in New York and Ohio, for example, and may be a partial explanation for the difficulty that Nancy Towslee reports on getting started in Oregon. As Towslee warns, "TQM is big. It's important. You don't want to stub your toe on it." Gary Vigorito of Ohio recommends selecting problems for TQM team projects that are "important, chronic, systemic, customer oriented and measurable."<sup>12</sup>

### Conclusion

The NRRI survey conducted on behalf of NARUC's executive directors found considerable interest in total quality management programs among the commissions. But to date only a few commissions are actually trying this management method that has spread swiftly among private companies and, more recently, has taken hold in government agencies. It is too early to tell whether many more commissions will decide formally to adopt TQM. The key variables that will lead to a decision to adopt or not

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<sup>12</sup>Gary Vigorito, presentation to the NARUC Executive Directors' Conference, Pittsburgh, Pa., May 3, 1993.

adopt TQM in individual commissions are likely to be how the commission thinks it is doing already, whether there is top level support for a change, and whether the time and money are available to invest in a new management approach. In the meantime, many executive directors are looking into the notion of continuous improvement and learning more about it, including by sharing information through vehicles like the NRRI survey. And it appears that many of the precepts of TQM are permeating some commissions whether or not they formally subscribe to quality improvement programs.





**APPENDIX A**

**NRRI SURVEY ON USE OF  
TOTAL QUALITY MANAGEMENT  
BY STATE REGULATORY COMMISSIONS**



**THE NATIONAL REGULATORY RESEARCH INSTITUTE**

1080 Carmack Road  
Columbus, Ohio 43210-1002  
February 1, 1993

**SURVEY ON USE OF TOTAL QUALITY MANAGEMENT  
BY STATE REGULATORY COMMISSIONS**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

State commission: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

**SECTION I: INTRODUCTION**

Total quality management has been defined as "involving everyone in the organization in controlling and continuously improving how work is done, in order to meet customer expectations of quality".<sup>1</sup> Numerous organizations, both public and private, have adopted total quality management principles in the last few years. Numerous others have decided that this approach, which can be expensive and time-consuming, is not something they need or want to do. The National Regulatory Research Institute has been asked to survey executive directors at the state regulatory commissions to find out what, if anything, they have done or are planning to do to use total quality management. The Staff Subcommittee on Executive Directors would like to have the results presented at their spring meeting.

We are including the enclosed "Description of Total Quality Management (TQM)" from the Office of Management and Budget to guide you in thinking about the survey. The OMB description gives a summary of the components of TQM as they would exist in a company or agency using a full-fledged TQM approach. Commissions could well be using TQM principles without having formally adopted TQM or could have found that TQM is not appropriate for them. This survey attempts to assess informal use as well as more formal implementation.

The OMB description is worth reading in full, but, briefly, important components of TQM include:

- An organizational environment that encourages innovation and continuous improvement in an organization's products, processes and services.

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<sup>1</sup>David K. Carr and Ian D. Littman, *Excellence in Government: Total Quality Management in the 1990s* (Arlington, Va.: Coopers & Lybrand), 3.

- Involvement of top management in improving quality and productivity.
- Strategic planning that drives improvement efforts and includes short and long-term goals for quality improvement.
- A focus on "customers," both internal and external to the organization.
- Rewards and recognition of employees based on teamwork, productivity improvement and trust in individual motivation.
- Extensive quantitative measurement and analysis that supports continuous improvement.

Most of the terminology of TQM is probably fairly straightforward, except for the notion of "customers" as it applies to any government agency, but especially a regulatory commission. Commission customers include any group inside or outside an agency that over a period of time has a service relationship with it. An internal customer might be a division or bureau. For example, a Division of Rates and Tariffs might at times provide services to a Division of Planning -- and vice versa. External customers could include the Governor's Office, ratepayers in general and public interest groups. They could include the jurisdictional utilities, too, not of course for purposes antithetical to good regulatory practices but in order to provide efficient, effective, fair regulatory processes.

**SECTION II: APPLICATION OF CONCEPTS OF TOTAL QUALITY MANAGEMENT**

Please answer the following questions whether or not you are now using TQM.

1. To what extent was there training at your commission in calendar year 1992 on improving quality and productivity?

\_\_\_\_\_A lot          \_\_\_\_\_Some          \_\_\_\_\_A little          \_\_\_\_\_None

2. Does your commission have a long-range, comprehensive plan?

a. \_\_\_\_\_Yes          \_\_\_\_\_No          \_\_\_\_\_Being developed

If your commission has such a plan:

b. What time period does it cover? \_\_\_\_\_  
dates

c. How often is it updated? \_\_\_\_\_

d. What unit of the commission is responsible for long-range planning?

---

e. How is the executive director of the commission involved in the plan? (check as many of the following as are applicable).

Actively supervises                       Directs  
 Reviews at time of completion            Initiates  
 Reports to commissioners                   Coordinates  
 Other: \_\_\_\_\_

f. How are the commissioners involved in the plan? (check as many of the following as are applicable).

Actively supervise                           Initiate  
 Review at time of completion            Coordinate  
 Direct  
 Other: \_\_\_\_\_

g. Does the strategic plan contain short-term goals for improving commission performance?

Yes                       No

h. Does the strategic plan contain long-term goals for improving commission performance?

Yes                       No

**If your commission has a long-range plan, please send a copy of it with your completed survey.**

3. What major new practices, policies, programs or tools has your commission started using in the last five years (1988-1992)?

Telecommunications: \_\_\_\_\_  
\_\_\_\_\_

Electricity: \_\_\_\_\_  
\_\_\_\_\_

Gas: \_\_\_\_\_  
\_\_\_\_\_

Water: \_\_\_\_\_  
\_\_\_\_\_

Administration: \_\_\_\_\_  
\_\_\_\_\_

4. Which state commissions (other than your own) does your commission consider to be particularly creative and/or effective, whether or not their ideas are generally appropriate for your state?

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5. Which state commissions does your commission look to for new ideas that are likely to be useful in your state?

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6. What quantitative measures does your commission use to tell when it is doing a good job?

With ratepayers: \_\_\_\_\_

With regulated utilities: \_\_\_\_\_

With the legislature: \_\_\_\_\_

With other individuals or groups: \_\_\_\_\_

7. What, if any, procedures does your commission use to motivate employees to be more creative or innovative in carrying out their responsibilities? Listed below are a number of approaches which your commission may use. Please check all that apply.

\_\_\_\_\_ No deliberate procedures to promote employee innovations.

\_\_\_\_\_ Special financial incentives for innovative ideas.

\_\_\_\_\_ Formal recognition of innovative employees (e.g., employee of the month, commission newsletter recognition, etc.)

\_\_\_\_\_ Support (e.g., release time, registration fees) for employees to attend professional conferences, workshops, meetings.

\_\_\_\_\_ More desirable working conditions for particularly innovative employees.

\_\_\_\_\_ Personnel evaluation procedures emphasizing innovative performance.

\_\_\_\_\_ Others (please specify): \_\_\_\_\_

8. Are there any regulated utilities in your state using TQM?

\_\_\_\_\_ Yes                  \_\_\_\_\_ No                  \_\_\_\_\_ Don't know

If you answered "yes,"

a. Which utilities? \_\_\_\_\_  
\_\_\_\_\_

b. What involvement did/does the commission have in establishing, reviewing or participating in the utilities' TQM process? (Check as many as are applicable.)

\_\_\_\_\_ Helped establish      \_\_\_\_\_ Reviewed                  \_\_\_\_\_ Participated in  
\_\_\_\_\_ Not involved                  \_\_\_\_\_ Other: \_\_\_\_\_

9. Are work allocations at your commission made:

\_\_\_\_\_ Almost always from the top down                  \_\_\_\_\_ Mostly from the top down  
\_\_\_\_\_ Both from the top down and the bottom up

10. Listed below are a number of groups who might or might not be helpful in developing innovations at your commission. Please rate them on the space provided for each group using the numbers from the scale below. If the question does not apply to a listed group, please indicate by NA (not applicable). If you are uncertain about their initial reaction, please indicate by DK (don't know). If a group is evenly divided in its support, rate them as neutral.

	Very						Not		
	Supportive		Neutral				Supportive		
7	6	5	4	3	2	1	NA	DK	

- Utilities \_\_\_\_\_
- Top commission staff \_\_\_\_\_
- Governor's office \_\_\_\_\_
- Commission staff \_\_\_\_\_
- Other state agencies \_\_\_\_\_
- Commission chairman \_\_\_\_\_
- Commissioners \_\_\_\_\_
- State legislature \_\_\_\_\_
- Federal government \_\_\_\_\_
- Consultants \_\_\_\_\_
- Other states \_\_\_\_\_
- NARUC \_\_\_\_\_
- NRRI \_\_\_\_\_
- Consumers' groups \_\_\_\_\_
- Professional organizations (other than NARUC) \_\_\_\_\_
- Others (please identify): \_\_\_\_\_  
\_\_\_\_\_





14. Please rate the support of the groups listed below in bringing TQM to your commission, using the numbers from the scale below.

Very Supportive			Neutral			Not Supportive		
7	6	5	4	3	2	1	NA	DK

- Utilities \_\_\_\_\_
- Top commission staff \_\_\_\_\_
- Governor's office \_\_\_\_\_
- Commission staff \_\_\_\_\_
- Other state agencies \_\_\_\_\_
- Commission chairman \_\_\_\_\_
- Commissioners \_\_\_\_\_
- State legislature \_\_\_\_\_
- Federal government \_\_\_\_\_
- Consultants \_\_\_\_\_
- Other states \_\_\_\_\_
- NARUC \_\_\_\_\_
- NRRI \_\_\_\_\_
- Consumers' groups \_\_\_\_\_
- Professional organizations (other than NARUC) \_\_\_\_\_
- Others (please identify): \_\_\_\_\_

Name and title of person(s) or group(s) most responsible for bringing the idea of TQM to the Commission: \_\_\_\_\_

15. Who is/was responsible for the actual work involved in considering, deciding or implementing TQM at your commission?

\_\_\_\_\_ Consultants      \_\_\_\_\_ Commission staff      \_\_\_\_\_ Others: \_\_\_\_\_

16. What is/ will be/ was the approximate cost of considering and (if applicable) implementing TQM?

\$ \_\_\_\_\_ cost      \_\_\_\_\_ cost in man-hours

17. Who (what individuals and or groups) are/will/did receive training in TQM?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

18. What areas did/is/will training in TQM cover? \_\_\_\_\_

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19. How many days will be/were allocated for TQM training? \_\_\_\_\_

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20. If training is being done or already has been done, what are the plans for further training? \_\_\_\_\_

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21. What factors made it/are making it easier to implement TQM at your commission? \_\_\_\_\_

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22. What barriers are there/have there been to implementing TQM at your commission? \_\_\_\_\_

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#### SECTION V: IMPACT ON THE COMMISSION OF TQM

**Please complete this section if your commission is implementing or has implemented TQM.**

23. Suppose you had 100 points to allocate among the 10 elements of TQM listed on the following page. How would you say the points have been allocated so far in implementing TQM -- that is how much emphasis has been given to each element? How are the points likely to be allocated over the next two years?

	<u>Emphasis to date</u>	<u>Emphasis in next two years</u>
Top management leadership and support	_____ points	_____ points
Strategic planning	_____	_____
Focus on customers	_____	_____
Training top management	_____	_____
Training middle management	_____	_____
Training staff	_____	_____
Promoting teamwork	_____	_____
Rewarding employees	_____	_____
Promoting innovation	_____	_____
Measuring performance	_____	_____
Total:	100 points	100 points

24. Listed below are a number of areas that might be affected by use of TQM. Please rate the impact of TQM on each area in the space provided using the numbers from the scale below. If you are uncertain about the impact, please indicate by DK (Don't know). Please circle the number that best represents the impact so far of elements of TQM on your commission:

Great Improvement		Unchanged		Great Decline
7   6   5		4   3   2		1   DK

- Quality of service \_\_\_\_\_
- Morale \_\_\_\_\_
- Efficiency \_\_\_\_\_
- Development of performance measures \_\_\_\_\_
- Use of performance measures \_\_\_\_\_
- Planning \_\_\_\_\_
- Quantity of new ideas \_\_\_\_\_
- Quality of new ideas \_\_\_\_\_
- Costs \_\_\_\_\_
- Relationships with ratepayers \_\_\_\_\_
- Relationships with utilities \_\_\_\_\_
- Relationships with legislature \_\_\_\_\_
- Working relationships within the commission \_\_\_\_\_
- Staff/commissioner relationships \_\_\_\_\_
- Others (please identify): \_\_\_\_\_

25. Would you recommend that other commissions try TQM?

Yes     No     Maybe     Don't know

Why? \_\_\_\_\_

**SECTION VI: SUMMARY AND OVERVIEW**

**Please complete this section whether or not you are now using TQM.**

26. All in all, is TQM worth the effort for your commission or do you think it would be?  
 Definitely     Somewhat     Haven't tried, but maybe  
 Have tried, too early to tell     No     Don't know

27. The likelihood that this commission will begin using/continue to use TQM is (pick a probability from 0 to 100%): \_\_\_\_\_%

28. Is there anybody else at your commission or in your state who you would suggest we contact to find out more about total quality management or the issues raised in this survey? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

29. Comments on the survey or the issues covered: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

30. Would you like a copy of the survey results?

Of course     No thanks

**Thank you for completing the survey. Please enclose a current organization chart of your commission. If your commission has reorganized in the last two years, please enclose a copy of the old organization chart. Please add any documents you believe will help us to understand your commission's use of total quality management or related approaches to improving the operations of your commission.**

**To give us time to compile and analyze the results before the executive directors' spring meeting, could you please return the survey by March 1 either to David Wirick, Associate Director, or Vivian Witkind Davis, Senior Research Specialist. You can reach either of us at 614-292-9404 if you have any questions.**

**APPENDIX B**  
**STATE CONTACTS FOR NRRI SURVEY AND**  
**STATE ABBREVIATIONS**



## SURVEY CONTACT LIST

Commission	Contact	Phone
Alabama Public Service Commission (AL)	Charles E. Grainger, Jr. Legal Advisor	Phone: (205) 242-5025 Fax: (205) 240-3470
Alaska Public Utilities Commission (AK)	Bob Lohr Executive Director	Phone: (907) 276-6222 Fax: (907) 276-0160
Arizona Corporation Commission (AZ)	James Matthews Executive Secretary	Phone: (602) 542-3931 Fax: (602) 542-4111
Arkansas Public Service Commission (AR)	Richard Prewett Administrative Services Manager	Phone: (501) 682-1335 Fax: (501) 682-1717
California Public Utilities Commission (CA)	Wesley Franklin Assistant Executive Director	Phone: (415) 703-3808 Fax: (415) 703-1758
47 Colorado Public Utilities Commission (CO)	Bruce N. Smith Executive Secretary	Phone: (303) 894-2000 Fax: (303) 894-2065
Delaware Public Service Commission (DE)	Robert J. Kennedy III Executive Director	Phone: (302) 739-4247 Fax: (302) 739-4849
District of Columbia Public Service Commission (DC)	Phylcia A. Fauntleroy Executive Director	Phone: (202) 626-9176 Fax: (202) 638-2330
Florida Public Service Commission (FL)	David L. Swafford Executive Director	Phone: (904) 488-7181 Fax: (904) 487-0509
Illinois Commerce Commission (IL)	Phillip M. Gonet Executive Director	Phone: (217) 782-7456 Fax: (217) 782-1042
Indiana Utility Regulatory Commission (IN)	Ruth Ann Townsend Executive Secretary	Phone: (317) 232-2716 Fax: (317) 232-6758

<b>Commission</b>	<b>Contact</b>	<b>Phone</b>
Iowa Utilities Board (IA)	Raymond K. Vawter, Jr. Executive Secretary	Phone: (515) 281-3772 Fax: (515) 281-8821
Kentucky Public Service Commission (KY)	Susan G. Smith Executive Assistant to the Commission	Phone: (502) 564-3940 Fax: (502) 564-7279
Louisiana Public Service Commission (LA)	Roy F. Edwards Public Utilities Administrator	Phone: (504) 342-1405 Fax: (504) 342-4087
Maine Public Utilities Commission (ME)	Charles A. Jacobs Administrative Director	Phone: (207) 287-3831 Fax: (207) 287-1039
Michigan Public Service Commission (MI)	Christine R. Hitchcock Personnel Liaison	Phone: (517) 334-6372 Fax: (517) 882-5170
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**APPENDIX C**

**EXCERPTS FROM WISCONSIN PUBLIC SERVICE COMMISSION  
*STRATEGIC BUSINESS PLAN 1992***

## **VISION**

**We will be a leader in the state and in the nation by facilitating, promoting and ensuring the availability of affordable, reliable, environmentally sound and safe utility services.**

...The markets in which we conduct our business are utility service markets. However, we do not provide electric, gas, sewer, steam, telecommunications or water service; we regulate the provision of these services by others. Our goal is that these services reflect and balance the needs and expectations of customers. Our aim is to use our expertise to add value to utility service through regulations, rules, orders and other actions so that all customers can depend on the availability of affordable, reliable, environmentally sound, and safe services throughout Wisconsin.

**OUR VISION IS OF A WORLD WHERE:**

- \* **QUALITY** is defined by customers' needs;
- \* **COMMISSION EMPLOYEES** are recognized for their contributions and are empowered to use their skills and abilities to realize the vision in an innovative, purposeful, team-oriented work environment;
- \* **INNOVATION** is valued and encouraged as a means to fulfill customer needs;
- \* **CUSTOMERS** have knowledge of and access to a variety of services;
- \* **PRICES** for utility services reflect a balance among value, affordability, and costs;
- \* **TECHNOLOGY** is state of the art, and makes wise use of limited resources;
- \* protecting the **ENVIRONMENT** is an integral part of everyone's responsibility for today's customers and for future generations;
- \* **UTILITIES** pursue their own visions consistent with the statutes and the parameters established by the Commission;
- \* utilities earn a **FAIR RETURN** and invest in capital, personnel and processes to improve the services offered to the public;
- \* **COMPETITIVE MARKETS** are allowed to develop and operate, provided individual and aggregate customer protection is assured; and
- \* the Commission's role is to **FACILITATE** the interaction of utilities and customers and to set standards and reasonable expectations to promote and protect the public interest.

**TO MEET THIS VISION WE WILL:**

- \* **FOCUS** on the "**BIG PICTURE**" in policy development and long-range planning. We will develop clear standards and expectations to accomplish this broad, long-term focus;
- \* **LISTEN**; we are in a unique position to bring together diverse voices and to balance diverse perspectives;
- \* **FACILITATE**; we will sometimes lead, sometimes guide, sometimes push and sometimes stay out of the way;
- \* **PROTECT** the public and consumer interests, however, we will also allow utilities to manage their businesses without undue interference, to enable them to excel in serving their customers;
- \* **ENCOURAGE INNOVATION**, recognizing that this will require taking risks and making mistakes; we believe innovative solutions and new ideas can improve the future for all Wisconsin citizens and businesses and, at the same time, protect the environment; and
- \* **RESPOND** to the changing needs of the work place, industry and society; we recognize the value of the lessons of the past; however, we face many new challenges. We will be flexible, open and adaptable.

## **MISSION**

Our mission is to oversee and facilitate the efficient and fair provision of quality utility services in Wisconsin.

### **TO CARRY OUT OUR MISSION WE:**

- \* provide a work place that values diversity and allows employees to fully develop and contribute their individual skills in meeting the needs of our diverse customer base;
- \* set prices for utility services that are fair to customers and to utility investors;
- \* set standards for quality utility services and ensure that the standards are met or exceeded;
- \* ensure that there will be sufficient resources, facilities and alternatives available to meet the needs of present and future utility customers at reasonable prices;
- \* ensure that utility services are provided in an efficient, environmentally responsible manner;
- \* ensure that securities issued by utilities meet the needs of the utilities, while protecting the interests of both investors and customers;
- \* ensure the fairness of transactions between utilities and their customers, other utilities, and other entities specifically provided protection by law;
- \* adjust our oversight of utilities according to the level of competition in their markets and according to the degree of customer satisfaction with their services;
- \* educate Wisconsin citizens on utility issues and promote their involvement in our decision-making process.

In all of the above, we consider and balance diverse perspectives and we endeavor to protect the public health and welfare, the environment, and the public interest.

## GOAL #1

**Everyone at the PSC has a Customer focus.**

### **This Means:**

- ▶ We give consideration in our everyday activities to the needs of our internal and external Customers.
- ▶ We know who our Customers are.
- ▶ We listen to our Customers.
- ▶ We know our Customers' wants and needs.
- ▶ We set priorities based on Customers' needs.
- ▶ We satisfy our Customers, recognizing that we have many Customers with diverse needs.
- ▶ We give primary consideration to our Customers' needs in balancing the provision of a variety of utility services.

### **Measures:**

- ◆ Customer satisfaction with the Commission and the utilities is regularly measured.
- ◆ Customers' wants and needs are identified.
- ◆ Customer information is used by the Commission.
- ◆ The needs of persons initiating complaints and inquiries are met.
- ◆ Critical processes include a measure of Customer satisfaction.
- ◆ Staff recommendations reflect the information received from Customers.



## GOAL #2

**Everyone is focused on continuous improvement.**

### **This Means:**

- ▶ We identify and continually improve all our processes.
- ▶ We standardize processes.
- ▶ We use Plan, Do, Check, Act (PDCA) on all of our processes.
- ▶ Both individuals and teams focus on continuous improvement.
- ▶ We are data driven.
- ▶ We consider the long-term when making improvements.
- ▶ When we make mistakes as we try new ideas, we learn from those mistakes.
- ▶ We always seek to improve, not simply to maintain the status quo.

### **Measures:**

- ◆ Critical processes are identified and improvement teams are formed to examine and improve the processes.

### GOAL #3

**The PSC has an open and positive atmosphere for innovation and continuous improvement.**

#### **This Means:**

- ▶ The atmosphere is open and positive within the agency and toward all stakeholders.
- ▶ Our processes are flexible to allow innovation, yet are consistent with the need for standards.
- ▶ Time is allocated for innovation.
- ▶ Innovation is encouraged when it is consistent with the vision and strategic plan.
- ▶ New ideas are given a fair hearing. People who need to be involved are involved. We listen.
- ▶ Systems or processes which are barriers to innovation are identified and teams are formed to examine and improve the processes.
- ▶ The Commission considers the impact of its decisions on the ability of staff and the utilities to be innovative.

#### **Measures:**

- ◆ In both the Commission and the utilities, new or improved services/rate designs/technologies/processes consistent with the strategic plan are offered, implemented.

**GOAL #4**

**Employees are empowered to meet Customers' needs.**

**This Means:**

- ▶ Employees, using their knowledge and skills, take initiative to meet Customers' needs.
- ▶ Employees' actions are guided by the agency vision and by the agency and division strategic plans.
- ▶ Employees, as individuals or as team members, own and are responsible for agency processes. Employees use this ownership to continually improve processes and to accomplish the agency vision.

**Measures:**

- ◆ Job descriptions clearly delegate authority to meet Customer needs.
- ◆ Staff receive training and understand the vision/mission/strategic plan, quality improvement, and their job responsibilities.
- ◆ Employees understand Type I, II, or III decisions.
- ◆ Employees clearly understand the bounds of delegation.
- ◆ Each process has an "owner."

**GOAL #5**

**The PSC enhances the utilities' ability to meet Customers' needs.**

**This Means:**

- ▶ PSC requires utilities to understand and fulfill the utility service needs of all Customers at reasonable rates.
  - ▶ PSC facilitates utility/Customer interactions.
  - ▶ PSC provides a regulatory climate that promotes consistency between the utilities' short-term actions and long-term goals.
  - ▶ PSC sets standards within which utilities can operate.
    - ▶ Standards are sufficiently flexible to balance the level of PSC intervention with the level of competition in the utilities' markets.
    - ▶ Standards balance the risk faced by a utility with the expected return to insure long-term financial stability.
    - ▶ Standards balance the Customers' diverse needs.
- ▶ PSC's regulatory role adds value to utilities' ability to meet Customers' needs.

**Measures:**

- ◆ Customer satisfaction and trust in utilities increases.
- ◆ PSC identifies and removes barriers to the utilities' ability to meet Customer needs.
- ◆ PSC activities which add value are regularly measured.

## **STRATEGY #1**

**Capture and be able to use information on Customer needs and priorities.**

**This Means:** We know who our Customers (end users) are. We know the needs and priorities of both our internal and external Customers, including, but not limited to Commissioners, other staff, ratepayers.

### **Action Statements:**

- ★ Use information gathering methods that are Customer-focused to better meet Customer needs and wants.
- ★ Use the Customer information gathering process to increase public education.
- ★ Evaluate PSC systems to determine where Customer information is needed and can be used.
- ★ Decide how to use Customer information in our systems.
- ★ Determine PSC's Customer information deficiencies.
- ★ Test a variety of ways to gather Customer information.
- ★ Develop Customer information gathering methods.
- ★ Develop Customer information gathering methods across industry lines - our own, utilities.
- ★ Use/explore IT to access Customer information quickly.
- ★ Increase PSC contact with Customers.
- ★ Determine utilities' role in gathering Customer information.

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- ★ Develop a system for validating utilities' Customer information gathering process.
- ★ Coordinate and improve utilities' Customer information gathering process.

## STRATEGY #2

**Identify what we will stop doing.**

**This Means:** We will identify those activities which the PSC can be involved in to a lesser degree or that can be completely delegated to the utilities. The Commission will play an active part in determining activities appropriate for discontinuation.

### **Action Statements:**

- ★ Analyze open meeting agendas for the past 6 months and recommend items for delegation.
- ★ Ask our Customers/stakeholders what are the PSC's most/least important activities.
- ★ Recommend to the Commissioners what to do, what not to do, and what to delay on a regular basis.
- ★ Collect data on open meeting agenda items adopted without discussion.
- ★ Collect data on Customer complaints.
- ★ Survey staff for critical regulatory areas.
- ★ Analyze filings for what could be eliminated if standards/audits were in place.
- ★ Collect data on decisions that do not involve policy decisions.
- ★ Meet with appropriate legislators to explain what we are seeking to do. Pursue necessary legislative changes.
- ★ Develop a priority list and workplan for each person and team.
- ★ Develop a list of information currently received to avoid duplication.
- ★ Ask utilities what thresholds they want raised.

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- ★ Ask/recommend an end-date on all new data requests.
- ★ Get stakeholders involved in decisions of what the PSC will not do.
- ★ Ask staff what they think they shouldn't be doing.
- ★ Find out who uses our statistical reports and for what reason.
- ★ Ask the Commissioners what decisions they made in the past year they felt could have been delegated.
- ★ Initiate an independent audit of the PSC.
- ★ Develop rules allowing more utility action without Commission review.
- ★ Establish a joint task force on statutes.
- ★ Ask utilities for a list of 5-10 filings they think are not necessary. Ask intervenors for a list of 5-10 filings they think are not necessary. Ask other stakeholders for a list of 5-10 filings they think are not necessary.
- ★ Institute a check phase on work not being done.
- ★ Identify processes that do not help us carry out our strategic plan.
- ★ Set a lesser level of regulation for small utilities based on what was done for small telcos.
- ★ Identify PSC tasks that are duplicative of other state agencies, local government, etc. Involve stakeholders.
- ★ Standardize wherever possible.



### **STRATEGY #3**

**Provide all employees with the basic authority and skills needed to operate in the new environment.**

**This Means:** Employees will have the ability to recognize situations where they have the authority to act independently without referring to supervisor or superior for direction. This includes using information technology, problem solving, and QI culture skills (e.g., team, Customer focus, database decision making, continuous improvement).

#### **Action Statements:**

- ★ Train all employees in QI fundamentals and offer advanced/higher level training.
- ★ Identify owners of all critical processes and define their level of authority. Standardize the authority where possible so that it is understood by all staff.
- ★ Include these concepts in the Performance Planning and Appraisal process.
- ★ Delineate and define I, II and III decisions.
- ★ Provide all staff with hands-on experience with QI.
- ★ Evaluate the delegation process periodically.
- ★ Set agency-wide, division-wide expectations, regularly.

## **STRATEGY #4**

**Invest in information technology (IT) to meet agency-wide goals.**

**This Means:** Information technology investments are linked to agency-wide goals and strategies. We make only those IT investments that meet the goals. We recognize that a significant increase in information technology and resources may be required.

### **Action Statements:**

- ★ Develop and implement methods whereby we get continued Customer input for our IT Plan.
- ★ Approve and implement the IT Plan on schedule.
- ★ Provide necessary resources to implement the IT Plan through the biennial budget.
- ★ Develop methods which will enable us to verify that the IT Plan is assisting in meeting our goals.

## **STRATEGY #5**

**Build an agency-wide perspective and commitment in all PSC staff.**

**This Means:** Division strategies and workplans are created consistent with, and supportive of, agency-wide goals. The employee reward systems are revised to ensure that they facilitate the changes/actions required to achieve our vision. The allocation of resources is examined to ensure that resources are directed toward achievement of the vision and goals.

### **Action Statements:**

- ★ Standardize the strategic planning process to include participation by all staff.
- ★ Develop and distribute a newsletter on a scheduled basis which explains agency accomplishments in meeting the vision and/or the strategic plan.
- ★ Expand the Update to provide staff with new and complete information about the strategic plan and vision.
- ★ Include cross training in all individual workplans.
- ★ Fill vacancies, whenever possible, by internal transfer or promotion.
- ★ Include concept of "agency-wide perspective" in all performance standards.
- ★ Review potential reallocation of resources by the Administrative Council for recommendation to the Chairman.
- ★ Involve all staff in implementing priority actions of the Strategic Plan.
- ★ Develop and issue annual agency-wide objectives.
- ★ Assign each employee to at least one cross-divisional team each year.
- ★ Develop a program to reassign staff in same discipline to a different division.

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- ★ Develop activities to provide more opportunities for social interactions.
- ★ Implement IT Plan so electronically maintained information is shared agency-wide.
- ★ Schedule Commissioner-management meetings to provide for open policy discussion of various issues for all staff.
- ★ Train staff in agency-wide perspective and quality improvement. (Teamwork, conflict resolution, communication, etc.)
- ★ Train staff about what other divisions do using the mentoring programs, open-houses, and division presentations.

## **STRATEGY #6**

**Use collaborative methods with utilities and intervenors to meet Customer needs.**

### **Action Statements:**

- ★ Identify critical processes and technical issues where the use of collaborative methods are appropriate.
- ★ Provide staff with the skills and time to use collaborative methods.
- ★ Develop financing/funding resources to enable intervenors and Customers to participate in collaborative efforts.
- ★ Educate utilities and others on value and how-to of collaborative methods and provide training in the basic skills.
- ★ Develop an agency-wide understanding of how to fund collaborative methods.
- ★ Look for ways to encourage on-going collaboration.
- ★ Develop standardized methods for participating/getting involved in collaborative processes.
- ★ Select, try and publicize the use of win-win collaborative methods.
- ★ Develop and use an evaluation process for all collaborative processes.
- ★ Use the product of the collaborative process to show all participants that the participation was worthwhile and effective.

## **STRATEGY #7**

**Develop and test a variety of public information and participation methods.**

### **Action Statements:**

- ★ Develop and implement alternatives to PSC information/data gathering methods.
- ★ Develop ways to make public information more accessible.
- ★ Produce public information materials that are usable and understandable.
- ★ Find ways to broaden involvement from different Customer and market segments.
- ★ Work with the utilities and other stakeholders in public education efforts.
- ★ Develop educational programs for schools (K-12); joint PSC/utilities effort.
- ★ Develop and implement alternatives to the PSC hearing process.
- ★ Implement alternatives to the annual rate case process.
- ★ Develop a program where, on a regular basis, PSC personally reaches out to the public for their input.
- ★ Create a process for sharing experiences with public information methods among PSC divisions.
- ★ Develop a process for sharing experiences with public information methods with utilities and intervenors.
- ★ Develop methods to obtain feedback from Customers electronically.

## **STRATEGY #8**

**Move focus for economic policy from short-term to long-term.**

**This Means:** Policy decisions regarding issues such as pricing, investment, risk/return relationships, and market structure are made with a long-term focus. New standards are required. Economic policy decisions consider Customer needs and wants and balance the public interest.

### **Action Statements:**

- ★ Establish a planning procedure for each utility industry. Procedures will be adopted and include assurances that the plans will be followed. Planning procedures will have common plan elements and structure and will include long-term goals as well as short term objectives to meet such goals. Test and evaluate separate versus common elements and structure as part of "check" phase.
- ★ Develop and enact a stakeholder education plan on long-term planning. Stakeholders include elective officials. Plan will include a procedure to provide information to all stakeholders that demonstrates the advantages of a long-term prospective.
- ★ Establish quarterly agency priorities that balance short-term objectives and long-term goals. Short-term objectives will only be retained if they are part of the long-term goals.
- ★ Address long-term issues at the right time and "in time." Long-term issues will include, but will not be limited to, testing, implementing and evaluating alternative rate/price setting methods.
- ★ Develop procedures that will assure that there is consistency between the adopted short-term objectives and long-term objectives. For example, the rate case, the construction process, and the siting process should have a direct correlation to the goals in the Advance Plan.
- ★ Review and evaluate all procedures adopted for this strategy to assure continuing progress towards meeting related goal.

## **STRATEGY #9**

**Promote strong utility/Customer partnerships to achieve Customer focus.**

**This Means:** The PSC believes the utilities must have a strong Customer focus for the PSC to achieve its vision. The PSC helps build the quality culture in utilities and intervenors.

### **Action Statements:**

- ★ Develop procedures that set forth expectations that clearly state utilities will work with various Customer groups to determine Customer needs. Procedures will include a requirement that complete and accurate data regarding all Customers will be maintained by the utility.
- ★ Provide incentives for utilities to establish mechanisms for Customer input-/participation in their decision making process. The degree of regulation for a particular utility will be dependent upon the amount of Customer participation. The more Customer participation the less regulation a specific utility will receive. Mechanism for Customer input/participation will include forming joint customer/utility groups to work on various projects and problems.
- ★ Assure that utilities adopt procedures that provide for the dissemination of Customer needs information to all levels of management and staff.
- ★ Provide for rate recovery of all Customer/utility partnership operating expenses if Customer impact statements are provided in all rate and construction proceedings.
- ★ Establish standards that allow a utility to enter into along-term relationship with a single vendor.
- ★ Develop procedures that monitor amount and type of Customer complaint according to utility.
- ★ Review and evaluate all procedures adopted for this strategy to assure continuing progress towards meeting related goal.



## **STRATEGY #10**

**Provide all utilities the authority they need to operate in the new environment.**

**This Means:** Utilities have the ability to recognize situations where they have the authority to act independently without deferring to the Public Service Commission for approval or review.

### **Action Statements:**

- ★ Review statutes and rules and determine where changes are needed.
- ★ Use management audits of utilities to ensure compliance with delegations.
- ★ Meet with utilities to learn how they disseminate information.
- ★ Implement a process to identify where adequate competition exists and then eliminate/reduce regulation accordingly.
- ★ Identify and publicize areas of delegated authority.
- ★ Research and implement policies that have enabled other states to reduce regulation.
- ★ Develop ways for PSC and utilities to use Customer information to assess how utilities can meet customer needs.
- ★ Ask intervenors and utilities which items they would see appropriate for delegation.
- ★ Analyze other situations to see if reduced regulation results in less work.
- ★ Develop a stakeholder process to identify areas for lesser regulation.
- ★ Develop a way of assuring consistent application of delegated authority among types of cases, types of utilities.
- ★ Develop ways to use Customer information to ensure that utilities are meeting Customer needs.

## STRATEGY #11

**Encourage research and development and innovations that support agency goals.**

**This Means:** The necessary time and resources are allocated to research and innovation.

### **Action Statements:**

- ★ Allow funding for utility research and development expenses.
- ★ Train staff in:
  - A. technology changes
  - B. risk/return relationships
  - C. policy innovations in other Commissions
  - D. process innovations in other organizations.
- ★ Include innovation in performance standards.
- ★ Process utility innovations quickly.
- ★ Implement, promote, support an agency-wide suggestion system.
- ★ Develop agency research and development agenda and incorporate in division workplans.
- ★ Include equipment needs for research and development in Information Technology Plan.
- ★ Budget funds and allocate time for internal research and development.
- ★ Review orders/final work plans for innovative ideas.
- ★ Establish 10-20 new project teams per year to develop process improvements in high priority areas.

- ★ Form teams which include a member from another industry who has had a similar experience or problem.
- ★ Form stakeholder innovation groups in all industry areas.
- ★ Recognize staff/utilities contributions to innovation.
- ★ Establish a collaborative effort in each industry to work on research and development agenda.

## **Critical Processes**

The PSC has made a major commitment to and a heavy investment in Quality Improvement (QI). Cultural change is underway and process improvement teams are regularly used. Thus, looking at processes was a natural part of our thinking as we examined how we will accomplish our goals.

The critical processes identified are in fact, "mega processes" and as such do not lend themselves well to process improvement teams. As we proceed, the QI process improvement teams are more likely to be directed at strategies or action steps. However, we do believe that as we look back five to ten years from now, we will have had to effectively change these critical processes in order to achieve our vision and goals. They will serve as a "check" as we Plan, Do, Check, Act (PDCA) our progress on strategies and action steps.

## **Processes**

- Performance planning and appraisal
- Employee training and development
- Information gathering/use about Customer needs
- Decision making (process assessment then delegation)
- External education and communications
- Internal communications
- Policy development and implementation (formal cases)
- On-going agency-wide strategic planning - developing and distributing agency resources (people, space)
- Evaluation of utilities' Customer focus
- Movement of focus from short-term to long-term
- Testing and evaluation of planning, collaborative efforts, new processes (check phase)
- Internal and External innovation and R&D

**APPENDIX D**  
**FLORIDA PUBLIC SERVICE COMMISSION**  
**USE OF TQM PRINCIPLES**



**PERFORMANCE IMPROVEMENT MEASURES  
FLORIDA PUBLIC SERVICE COMMISSION**

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**AGENCY MEASURES**

**I. GOAL AND OBJECTIVES OF THE FPSC**

- GOAL:** RELIABLE SERVICE AT THE LOWEST LONG-RUN COST  
**OBJECTIVE:** Regulatory decisions that are fair, just, and reasonable  
**OBJECTIVE:** Encourage use by utilities of cost-beneficial new technology  
**OBJECTIVE:** Maintain high standards for a professional, competent staff

**II. MAJOR FUNCTION OF THE FPSC**

Regulation of the rates and services of investor-owned electric, natural gas, water and wastewater (34 counties - county option), and telecommunications companies. The FPSC also has jurisdiction over municipal electric utilities and electric cooperatives with regard to rate structure, territorial boundaries, bulk power supply operations, and planning. Additionally, it exercises safety authority over all electric and natural gas systems operating in the state.

**III. PRELIMINARY BUDGET MEASURES OF SCOPE OF RESPONSIBILITY AND ASSOCIATED COSTS**

1. Number of citizens served by regulated utility systems
2. Cost per citizen served by regulated utility systems
3. Number of electric utilities regulated
4. Cost per electric utility regulated
5. Number of telephone utilities regulated
6. Cost per telephone utility regulated
7. Number of water and wastewater systems regulated
8. Cost per water and wastewater system regulated
9. Number of gas utilities regulated
10. Cost per gas utility regulated
11. Number of utilities regulated
12. Number of utilities regulated per staff year

#### IV. COMPLIANCE WITH STATUTES, POLICIES, PLANS

##### EXTERNAL REQUIREMENTS

- Florida Statutes and related rules pertaining to:
  - Utility regulation (e.g., Chapters 350, 364, 366, 367)
  - Administrative proceedings
  - Personnel and purchasing matters

##### INTERNAL PRACTICES AND PROCEDURES

- FPSC rules implementing statutory authority
- Procedures for conducting formal and informal agency proceedings (e.g., fact-finding, declaratory statements, certifications, and other hearings)
- Procedures for Commission decision-making meetings (e.g., Agenda Conferences and Internal Affairs meetings)
- Internal FPSC administrative procedures (Administrative Procedures Manual)
- Internal FPSC technical procedures (Standard Operating Procedures)

#### V. TECHNICAL PERFORMANCE IMPROVEMENT MEASURES

(Attachment 1 provides more detail on each of the items)

1. Use of on-line research, like Phinet for taxes, DIALOG, WESTLAW, etc.
2. Use of Issue Identification meetings, prehearings for docketed matters
3. Use of Pass-Through and Price Index Rate Changes for water and wastewater
4. Use of the Leverage Formula for water and wastewater utilities
5. Use of Generating Performance Incentive Factor (GPIF) for electrics
6. Use of computerized cost of service study to calculate rates for gas utilities
7. Staff-assisted rate cases for small water and wastewater utilities
8. Use of other than rate base regulation for Class C water and wastewater utilities
9. Operation and Maintenance (O&M) Benchmark analysis for evaluating O&M expenses
10. Earnings surveillance
11. Use of Minimum Filing Requirements (MFRs) for rate cases
12. Initiation of Modified Minimum Filing Requirements to periodically review in detail each utility's financial position
13. Uniform System of Accounts for each industry
14. Use of a commissionwide Case Management System (CMS) and Workload Control System
15. Computer network with computers available to all appropriate staff
16. Inspection of Alternative Operator Services (AOS) abuses in the Hospitality Industry
17. Safety Inspections



VI. FPSC ACTIONS WHICH ARE UNIQUE OR AMONG FIRST IN NATION  
(Attachment 2 provides more detail on each item)

1. Use of Audit Analyzer
2. Energy Broker System
3. Established conservation goals for electric and gas utilities in 1980
4. Annual planning hearing for electric utilities
5. Telephone service evaluation program
6. Separate in-house organizational unit with nationally acknowledged expertise in utility tax accounting and depreciation
7. Development of Busy Hour Minute of Capacity (BHMOC) access charges for Bell companies divested by AT&T
8. Incentive regulation for Southern Bell
9. Forbearance from regulation of AT&T
10. Caller Identification Tariff
11. Approval of depreciation schedules which facilitate modernization of the telephone network in the state
12. FPSC staff developed Uniform System of Accounts (USOA) for water and wastewater utilities
13. FPSC staff developed USOA for Radio Common Carriers

VI. NATIONAL STANDING

1. Represented on State-Federal Joint Boards which are established to determine mutually agreeable policies on technical issues which affect both state and federal regulatory agencies
2. Represented as Officers of NARUC Committees and Staff Subcommittees
3. "Above-Average" in Merrill-Lynch Regulatory Rankings of the quality of the regulatory environment (Florida ranks 4 on a scale of 1 to 5 with 5 being the highest - see Attachment 3)
4. Frequently cited as one of the top regulatory commissions in the country (most progressive and most innovative)
5. FPSC staff contacted frequently by other state commissions for advice on emerging technical issues or other complex regulatory issues

[Note: FPSC has developed as a national leader in regulatory matters despite ranking 42nd out of 50 states in budget appropriation per capita (Attachment 4) and ranking 41st out of 50 states in the ratio of commission staff to population (Attachment 5) with the 50th state having the smallest per capita budget appropriation and smallest ratio of staff to population, respectively.]

VII. INFLUENCING NATIONAL POLICY ON REGULATORY ISSUES TO THE BENEFIT OF FLORIDA RATEPAYERS

1. Provides comments to federal agencies on proposed rulemaking and other actions which could affect Florida citizens
  - Federal Energy Regulatory Commission (FERC)
  - Federal Communications Commission (FCC)
  - Securities and Exchange Commission (SEC)
  - Internal Revenue Service (IRS)
  - Environmental Protection Agency (EPA)
2. Requests letter rulings and participate in conferences with the IRS regarding tax issues
3. Comments to Financial Accounting Standards Board (FASB) on proposed new accounting standards
4. Member of Southeastern Association of Regulatory Utility Commissioners (SEARUC), an association established to determine and further the interests of the southeastern states on regulatory issues
5. Participated in establishment of the Southern Task Force and an FPSC staff person serves as a member (This staff group meets to discuss issues which the state commissions may want to address as a unit and to share information among the states.)
6. Commissioners serve on various national committees which affect federal regulatory decisions and Florida citizens
7. Demonstrated expertise results in FPSC having a significant role in national decisions which have ramifications for our ratepayers

## V. TECHNICAL PERFORMANCE IMPROVEMENT MEASURES

1. *Use of on-line research, like Phinet for taxes, DIALOG, WESTLAW, etc* - Computer access to these data bases has provided more efficient analysis and research of current codes and case law in technical areas.
2. *Use of Issue Identification (ID) meetings, prehearings for docketed matters* - Issue ID meetings and prehearing meetings save valuable time in formal hearing proceedings by focusing on the critical issues and allowing all parties to know the positions taken. Commissioners' time schedules are limited and this allows for the scheduling of additional formal proceedings when the workload requires it.
3. *Use of Pass-Through and Price Index Rate Changes for water and wastewater* - Price index rate changes allow for automatic rate adjustments based on a published price index. Pass-through rate adjustments allow for an automatic pass through of cost increases associated with purchased water/wastewater treatment, ad valorem taxes, and water testing. This limits the frequency of full rate cases and the associated costs which are borne by the ratepayer.
4. *Use of the Leverage Formula to save hearing time and rate case expense for water and wastewater companies* - Standardizes the determination of the cost of capital for water and wastewater companies. This avoids the necessity of presenting costly expert testimony in rate cases. This cost is ultimately borne by the ratepayer.
5. *Use of Generating Performance Incentive Factor (GPIF) for electrics* - One of the first states to establish rewards for efficient operation and penalties for inefficient operation of power plants. Incentives for efficient power plant operation could ultimately reduce costs to the ratepayer.
6. *Use of computerized cost of service study to calculate rates for gas utilities* - This computerized cost of service study allows for a faster, more efficient, and consistent method of calculating rates.
7. *Staff-assisted rate cases for small water and wastewater utilities* - Staff-assisted rate cases allow utilities to seek rate increases without incurring the costs involved in development of a rate case. These expenses are generally passed on to the ratepayer.
8. *Use of other than rate base regulation for Class C water and wastewater utilities* - This alternative would allow for cheaper, more efficient methods of setting

rates for smaller utilities. Examples of potential methods would be operating ratios and comparative pricing.

9. *Operation and Maintenance (O&M) Benchmark analysis for evaluating O&M expenses* - This benchmarking gives the Commissioners a snapshot picture of utilities O&M expenses compared to a Consumer Price Index (CPI) and customer growth factor over time. Variances are explained by the utility. This allows the Commissioners a quick determination of overall allowable O&M expenses in a rate case. Detailed justification of all O&M expenses is still required for staff analysis. This benchmark cuts down on the time required to review O&M expenses in a formal proceeding.
10. *Earnings surveillance* - A monthly/quarterly system used to monitor the rate of return for electric, gas, and telephone companies. This allows for identification of potential overearnings at an early date.
11. *Use of Minimum Filing Requirements (MFRs) for rate cases* - These are a standardized set of financial, engineering, and economics schedules which present a utility's justification for a rate case. This standardization means all parties are familiar with the format of a company filing and facilitates more efficient analysis. In addition, company costs associated with filing a rate case would decrease with this standardized format which can be integrated in computer form.
12. *Initiation of Modified Minimum Filing Requirements to periodically review in detail each utility's financial position* - This is an abbreviated form of the MFRs which provides a standardized set of financial schedules for reviewing the utility's financial position. Companies that appear to be overearning could be required to file a full rate case to determine any refunds to the customers.
13. *Uniform System of Accounts for each industry* - Adoption of a uniform system of accounts for all industries allows for accessible financial records and more efficient audits of the utilities.
14. *Use of a commissionwide Case Management and Workload Control System* - Provides control of case assignments and scheduling of events for every docket item. A computer-accessible program that has resulted in better control of the flow of the docketed workload.
15. *Computer network with computers available to all appropriate staff* - This has increased the availability of software, word processing systems, and management tools (CMS) thereby improving staff efficiency and enabling the FPSC to manage an ever increasing workload.

16. *Inspection of Alternative Operator Services (AOS) abuses in the Hospitality Industry* - One of the first states to place restrictions on service to protect the public. This has resulted in fewer complaints and a better service to the public.
17. *Safety Inspections* - A comprehensive electric safety inspection program. Since this program has been in place, electric accidents have decreased.

## VI. FPSC ACTIONS WHICH ARE UNIQUE OR AMONG FIRST IN NATION

1. *Use of Audit Analyzer* - One of two state public service commissions to develop this system. It provides a review of automated accounting systems and produces sampling and statistical data used in audits. More detailed audit information is provided in a shorter time frame.
2. *Energy Broker System* - A computerized system which lists each electric utility's fuel cost for the next hour. This allows the high-cost utility to purchase power from the low-cost utility. The utilities share the savings thereby reducing overall cost to the customers.
3. *Established conservation goals for electric and gas utilities in 1980* - One of the first states to set conservation goals. These goals required the utilities to implement conservation programs to slow the growth of electricity peak demand and kilowatt-hour sales. These results would decrease the need for investment in costly power plants.
4. *Annual planning hearing for electric utilities* - Established in 1981, a comprehensive statewide generation expansion plan providing for least-cost planning to meet future demands for energy.
5. *Telephone service evaluation program* - Recognized nationally, this comprehensive on-site program identifies service violations for corrective measures. This provides a better quality of service for the customer, resulting in less complaints.
6. *Separate in-house organizational unit with nationally acknowledged expertise in utility tax accounting and depreciation* - One of the first state public service commissions to realize the need for tax and depreciation expertise. This has resulted in progressive tax and depreciation policy which has resulted in savings to the utilities and ultimately the customers.
7. *Development of Busy Hour Minute of Capacity (BHMOC) access charges for Bell companies divested by AT&T* - This allows the local exchange company to be compensated on a usage-sensitive basis with a capacity charge borne by the interexchange carrier as opposed to a flat monthly charge to a customer regardless of long distance calls.
8. *Incentive regulation for Southern Bell* - A rate of return (earnings) sharing plan which resulted in rate reductions to the customer. It also gave the company an incentive to be more efficient with the potential to further reduce costs.

9. *Forbearance from regulation of AT&T* - A two-year trial period whereby caps were placed on what AT&T may charge. This will assist in determining the extent of competition in the interexchange industry. Competition in certain services could reduce costs to the ratepayer. In addition, effective competition could ultimately result in no need for regulation of the industry thereby reducing costs to the citizens of the state.
10. *Caller Identification Tariff* - An aggressive approach to the concerns of caller identification has resulted in this state's being one of the first states to offer this service to the public.
11. *Approval of depreciation schedules which facilitate modernization of the telephone network in the state* - This has resulted in a more advanced communications network with more digital switches and lower maintenance costs.
12. *FPSC staff developed Uniform System of Accounts (USOA) used by National Association of Regulatory Utility Commissioners (NARUC) for water and wastewater utilities* - Development of this uniform system of accounts allowed for standardized records in the industry. In addition, adoption by NARUC gave the FPSC national recognition as the developer of this accounting system.
13. *FPSC staff developed USOA used by NARUC for Radio Common Carriers* - Development of this uniform system of accounts allowed for standardized records in the industry. In addition, adoption by NARUC gave the FPSC national recognition as the developer of this accounting system.





# State of Florida

Commissioners:  
THOMAS M. BEARD, CHAIRMAN  
BETTY EASLEY  
J. TERRY DEASON  
SUSAN F. CLARK  
LUIS J. LAUREDO



Executive Director  
DAVID SWAFFORD  
(904) 488-7181

## Public Service Commission

October 28, 1992

Mr. John Pieno, Executive Director  
Florida Quality Initiative  
Office of the Governor  
209 The Capitol  
Tallahassee, Florida 32399-0001

Dear Sir:

The information herein has been prepared in response to your recent questionnaire regarding the status of Total Quality Management within the Public Service Commission.

A recent article in Florida Trend magazine contained an excellent definition of TQM, "It's difficult to put in a soundbite, but one way to describe it is as a management philosophy that preaches teamwork, doing things right the first time and treating everyone – inside and outside – a company or organization as a customer. This isn't exactly new stuff. It goes back to the quality guru, W. Edward Deming. Several Florida companies also have been practicing their own versions of TQM for years – Harris Corp., Florida Power & Light Company, Ryder System, Cordis Corporation, Rockwell International." Although many versions of TQM exist, we agree with the statement in your recent guide to Total Quality Leadership that, "TQL is not a fad or trend – it is a cultural change, a new way of thinking, acting and working." Although there are additional refinements and improvements which need to be made, the PSC has had major aspects of TQM in place for over a decade and a mature TQM culture currently exists.

The following factors undoubtedly contribute to the PSC being atypical:

1. The Commission has consistently pursued written goals, objectives, and strategies for over a decade, including written strategies for achieving the objectives.
2. A commitment to excellence and teamwork was made by the Executive Director and the Deputy Executive Directors over a decade ago, and has been strongly supported by all Commissioners. Leadership and commitment from the top has been consistent.

3. These top managers have all held their positions for over a decade, thus providing continuity and ample time for the culture to mature.
4. The PSC is an arm of the legislative branch and performs a legislative function (primarily related to setting rates of investor-owned utility companies) as opposed to delivering executive branch services.
5. The five Commissioners function as a team and continually demonstrate effective team work as an example for the staff.
6. Virtually all of the Commission's work is carried out by teams comprised of employees from multiple divisions and disciplines, i.e., an attorney from the Division of Legal Services; an engineer and rate specialist from an industry division; and finance, tax, and auditing specialists from the Division of Auditing and Financial Analysis. Team members are responsible for all analytical work, and development of staff recommendations (alternative recommendations are encouraged) to the Commissioners, responding to questions from the Commissioners, and cross examination by the Office of Public Counsel and utility representatives. Each team member has both the opportunity and obligation to make his/her professional recommendations known. Most of the Commission's work is accomplished through teams.
7. The use of short-term teams and/or task forces to address specific problems, review processes, and recommend solutions has been common for many years, i.e., teams to recommend procedures for processing and collecting energy conservation loans.
8. The use of formal, ongoing committees has been used for decades, to participate on an ongoing basis in projects such as, (a) the review of all paperwork processes and recommendations for modifications to improve service and reduce paperwork and (b) addressing EEO/Affirmative Action issues.
9. An annual process of formally soliciting staff's suggestions for areas of improvement and/or problems which need to be addressed, has been in place for over a decade. Employee suggestions are prioritized, and the top ten items are implemented to the extent allowed by law.
10. An annual Agency Awards Program, in which all employees are solicited to nominate teams or individuals who have performed in an extraordinary way, has been in place for many years.
11. The Commission is quite small (having 391 positions, 352 of which are based in the Fletcher Building), and there is continuous interaction on both a formal and an informal basis, thus fostering comradery and team work. Every effort is made to include the 39 positions in district offices as we interact on a daily basis.

12. The Commission is a single-budget entity and is responsible for a single-program component, "Utilities Regulation," thus making it easier to focus on specific objectives which complement each other rather than compete.
13. The staff is comprised primarily of highly trained professionals, including attorneys, accountants, management specialists, engineers, economists, etc, several of whom are well versed in Total Quality Management. Seventy-one percent of the Commission's staff have college degrees and 18% also have advanced degrees. We are a bottom-up, employee-driven agency in which professional staff members provide facts, ideas, concepts, and theories for an issue, upon which the Commissioners make their decisions. New staff members are often assigned to important teams within a few months of joining the staff.
14. An unusual emphasis is placed on training. During Fiscal Year 1991-92, 1.74% of our staff hours were devoted to formal training. (See enclosed annual Training Plan)
15. Detailed computerized systems have existed for a decade, to collect data, schedule time frames for each step in the process, and generate reports for accountability. These include a sophisticated Case Management System, a Complaint Tracking System, and a Management Information System. All employees have a networked personal computer on their desk (including mail room and print shop staffs), and electronic mail is heavily used. All members of the staff have immediate access to information contained in regulatory data bases, as well as electronic access to articles extracted from professional and technical publications, the Florida Statutes, the Florida Administrative Code, staff recommendations, Commission orders and procedures, etc. All 39 employees in the district offices have access to the network resources referenced above and on a regular basis, participate on teams working on audit or safety issues. All employees can listen through their telephone speaker as other teams present their recommendations at Commission proceedings (and soft music when there are no proceedings).
16. In 1989, the Executive Director and Deputy Executive Director/Administrative attended a two-day seminar in Miami which was presented by Florida Power and Light's TQM consulting subsidiary.
17. In 1989, fourteen members of the staff attended an in-house seminar on TQM presented by Florida Power and Light Company.
18. The PSC has a Division of Research and Regulatory Review (supervised by a PhD Economist) which frequently does statistical sampling of Florida's consumers and conducts scientifically valid surveys relative to various aspects of customer satisfaction (See enclosed sample for Centel's customers).
19. The PSC has maintained a statewide toll-free number (1-800-342-3552) for decades, for consumers to call regarding complaints or suggestions. PSC staff members follow

through on consumer complaints, utilizing a computerized Consumer Complaint Tracking System (See enclosed copy of Annual Activity Report.)

20. Internal customer surveys have been routinely conducted for several years, to assure customer needs are met (See enclosed sample.)
21. When rate increases are requested, Commissioners and staff go to the community to hold customer meetings. Customers are provided written summaries of the request and are encouraged to mail in their comments on the forms provided (See enclosed samples). Customers and their representatives formally participate in the entire process and have the right to appeal the Commissioners' decisions to the Circuit Courts or the Supreme Court.
22. Brochures and pamphlets are routinely disseminated to customers explaining their rights and soliciting their input (See enclosed samples).
23. In July 1992, the "Partners in Productivity Task Force" issued a report entitled, *Improving Florida Government's Performance*. The subcommittee on Regulation (John T. Hartley, Chairman) studied the Commission and commented, "The Public Service Commission has demonstrated unusual effort in developing technical performance improvement measures; it has enacted programs that are unique or among the first in the nation; it has attained prominence in its ranking among other members of the National Association of Regulatory Utility Commissions (NARUC); and it has taken a prominent leadership role in regard to national regulatory policy issues. All of these actions have directly or indirectly benefitted Florida ratepayers."

In summary, we preach (and practice) teamwork, empowering our employees through training and information sharing. We provide the latest technology, tools, and a work forum which calls for their professional input and recommendations on a routine basis. The team members recommendations are not filtered through a supervisory bureaucracy or stifled by other team members if a consensus is not reached. The whole process is structured to solicit input from utility customers and center recommendations around the long-term, best interest of customers.

The Commission is continually monitoring what other agencies are doing and would appreciate updates on the progress of pilot agencies such as DMS, Commerce, Business Regulation, and Professional Regulation so that we may learn from them, benefit from their experiences, and make further enhancements in the PSC. We plan to place even more emphasis on employee input in the future and as needed, incorporate TQM terminology in our policies and procedures.

The experience you shared at a recent conference in St. Petersburg, regarding TQM being practiced on the aircraft carrier you commanded (although not labeled as TQM) was very helpful in understanding how these techniques have matured at the PSC without being specifically labeled. We particularly appreciate your sharing current Total Quality Management articles with us as well as your personal leadership.

Mr. John Pieno

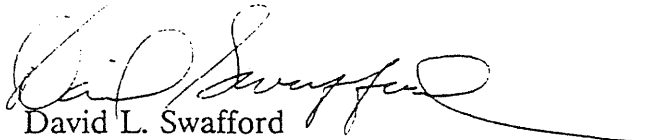
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October 28, 1992

We have invited Dione Geiger and Jim Sherlock of your staff, to visit us so that we may share additional details regarding the Commission's activities referenced herein.

If further information is needed, please advise.

Yours truly,



David L. Swafford

DLS:jaw:ln  
Enclosures



**TOTAL QUALITY LEADERSHIP**

**AND THE**

**FLORIDA PUBLIC SERVICE COMMISSION**

This paper examines "Total Quality Leadership" as a management concept sent to us from the Governor's office, its commonalities with other managerial concepts and identifies major managerial principles and elements. This paper also identifies the existence many of these major concepts currently and historically within the Commission as well as areas where improvement can be made.

## TOTAL QUALITY LEADERSHIP

Total Quality Leadership (TQL) is a management concept endorsed by the Governor's Office and based upon the Japanese business practice or concept of Total Quality Management. It is a process for long-term coordination of goals and measurable strategies that are in alignment with the organization's mission. This concept, as sent to us by the Governor, is briefly explained below.

The process is led by management and driven by employees. Employees are directly involved in quality improvement as members of teams. TQL is accomplished mainly through extensive communications, training and work. The loyalty and respect of employees must be earned. We must train employees, listen to their ideas, make them responsible for their work and recognize and reward them for outstanding performance(s).

The Governor's TQL uses principles of the Total Quality Management model. These principles are:

- commitment from the top
- management by fact
- customer satisfaction
- employee involvement and empowerment
- reward and recognition
- accountability
- teamwork
- continuous improvement

Managers determine the mission of the agency, division, bureau and/or section and communicate this to their employees. Decisions are based upon analysis of measurable data, not on opinion or assumption. Managers facilitate or provide direction while instilling confidence and trust in their employees. Employee involvement gets results. Employees know where the problems are and how to solve them. Employees are given responsibility and made accountable. They are involved in the process as members of teams. Outstanding performance is recognized and rewarded. Planning, doing, checking and acting ensures movement towards the goal of continuous improvement.

## WHAT TQL IS

The Governor's TQL has three major components; strategic planning, management driven teams and employee driven teams. Strategic planning develops goals and strategies; management teams focus on solving organizational goal problems; and, employee driven teams work on improving work processes. This involves:

**Strategic Planning** - According to the Governor's managerial



concept, the mission of an agency or business is its purpose for existence. Management determines the mission of the entity. Strategic planning is used to develop goals, objectives, strategies and rewards at all levels to achieve the defined mission.

Critical success factors (CSFs) are the most crucial objectives that must be achieved for the mission to become reality. These are identified during the strategic planning process and established for each level of the organization such that all CSFs are linked to the common mission. Strategies are then developed to achieve the critical success factor.

Strategies are a series of measurable and observable tasks that allow for the achievement of the critical success factor. The measurement need only show some change in state, however, a measure of success must be established.

Workplans are the blueprint to achieve CSFs and include every task that must be accomplished. Workplans are developed all the way down from the agency to division to bureau to section and/or team. Workplans outline responsibilities and use of resources and identify tasks and accountability. They are developed by work teams in conjunction with supervisors and managers.

In short, strategic planning requires managers to define the mission. Then, working with employees, develop goals and objectives with measures of success at every level of the organization. These objectives move toward the defined mission. Key elements are the identification of specific tasks, expected outcomes, establishing responsibility and accountability and measuring results.

**Teams** - The Governor's TQL contains two major types of teams; management driven teams and employee driven teams. Teams make the strategic plan work. All employees have an opportunity to join and participate on a team. Teams increase the skills and abilities of employees and improve communication at all levels.

**Management Driven Teams** - As defined by the Governor's concept, management driven teams are quality improvement teams formed to work on problems identified by management. These are also known as problem solving teams or task teams. Members have varying backgrounds, knowledge and abilities.

**Employee Driven Teams** - The Governor's concept identifies these as teams established to improve daily work activities or processes. These are also known as work process teams or functional teams. These teams choose their own problem, gain management approval and identify and implement solutions.

The Governor's TQL places great emphasis on specific roles for team members and extensive education and training in specific TQL

roles, tools and techniques. It also emphasizes the use of rewards for achieving the goals and objectives.

#### **COMMON MANAGEMENT CORE PRINCIPLES**

TQL and TQM contain certain core managerial principles that are the foundation of good management and the keys to success. While the specific names may vary, the core principles contained in TQL and TQM are common to other management concepts as well. Management By Objectives, Participatory Management and Strategic Leadership are just a few managerial philosophies that contain these same core principles.

These principles are:

- (1) Communications- clear, unambiguous communications between and among managers and staff both speaking and listening.
- (2) Participation- constant participation of staff in the decision making process and management in the work process.
- (3) Delegation- fixing responsibility, authority and accountability.
- (4) Direction- clearly stated, unambiguous mission, goals, objectives and tasks.
- (5) Monitoring- fixing measures of success and constant monitoring.
- (6) Reward- rewarding of success or accomplishment of specified objectives.

The Governor's Office has given us a framework of management principles and applications that are called TQL. We believe that the PSC has employed these same principles and applications for many years, although we've not called it "TQL".

#### **THE PUBLIC SERVICE COMMISSION**

The Commission may well be a natural breeding ground for the major concepts and principles of TQL. In fact, the very nature of the work performed combined with the "call it as you see it" and "two standard deviation" attitude of senior management have already brought into practice the TQL concepts and principles long ago.

We are a bottoms up, employee driven agency. Our professional staff provides ideas, concepts and theories for a given issue upon which the Commission decides. Cumulatively these decisions become practice and policy of the agency. Over time these policies can be

summed into regulatory philosophies. What the employee says is most important to the agency. The staff is not only encouraged to give their best professional opinion, but expected to do so. As long as what is being recommended is within a reasonable range (two standard deviations) of what management believes correct and is feasible, the idea is supported. If it is outside the range, the employee is still allowed to present it, but it would not be the "division" recommendation. Our process is led by management and driven by employees.

Further, the Commission uses strategic planning and has done so historically. The agency has clearly defined and stated its mission and has established crucial objectives and goals that must be achieved. These are codified in the agency's Administrative Procedures Manual (APM) and in other publications such as Partners in Productivity (PIP). The agency's mission, goals and objectives are verbally communicated to employees via decisions at Agenda Conferences, Internal Affairs and in discussions at various agency meetings such as directors' meetings, division meetings and discipline meetings (i.e. accounting, engineering and economics).

The agency has developed strategies and specific tasks to achieve the objectives. At each level of the agency (division, bureau and section) specific objectives have been identified and workplans developed. For "normal" work such as docketed items, the specific tasks are codified in the APM and in the individual divisions' standard operating procedures (SOPs). For non-standard work such as undocketed projects, the tasks are identified by the employee doing the project in conjunction with his/her supervisor.

The Commission has established measures of success to monitor progress towards achieving its goals and accomplishing its mission. Many of these measures are included in the APM and PIP. Other measures such as weekly, bi-weekly or monthly reports are identified as measures of success in SOPs and evaluation criteria.

As previously identified, teams make the strategic plan work. They improve the quality of products and services and increase the skills and abilities of employees. The Commission has used teams and the team concept for many years. This agency is a firm believer in teams and the team concept. We do not, however, believe the employee driven teams as defined in the Governor's managerial concept are effective in bettering the agency's performance or product(s).

Much has been written and said about TQM and its principles since its introduction. It is our understanding and experience that employee driven teams if unguided select "problems" that are more personal in nature or have little to do with the betterment of the job process or product. Examples of these "problems" are covered walkways to parking, showers, basketball goals, pay increases for all employees, etc. While these may well be

important issues to the employees, they hardly constitute areas where progress could be made by the organization in bettering the work process or product. Instead, we believe that teams should work or concentrate on problems or processes identified by management. The key factor here is participation by the employees and management. In this respect, our organization is well advanced.

While the Commission's products are ideas, the vehicle for presenting these ideas to the Commission is a recommendation for a docketed item or undocketed project. Teams are established for every docket or undocketed project within the agency. This includes rate cases, generic investigations, management audits, research studies, special projects, etc. These teams are made up of employees with various backgrounds (accountants, engineers and economists) and managers. Each employee has input into the handling of the case or project and the issues developed. Often, dockets or projects contain diverse issues and employees from many divisions or bureaus are included on the team. The teams are guided by management and previous commission decisions but driven by the employees. Often, at the conclusion of a docket or project, postmortems are conducted to see what was done right, what problems arose, how they were handled and what could be done next time to do a better job. Furthermore, peer review is used by the agency to analyze and critically review audits in an effort to include the employee in the sharing of ideas and resolving common problems.

In addition, the use of short-term teams and/or task forces to address specific problems, review processes and recommend solutions has been common for many years (i.e. teams to recommend procedures for processing and collecting energy conservation loans and processing rate cases). Teams and the postmortem concept have also been used in support divisions (for example, the print shop) to analyze how well a support function was accomplished and how it could be done better the next time. Further, the use of formal, ongoing committees has been used by the Commission for decades. These committees participate on an ongoing basis in projects and make recommendations for modifications. For example, review of all paperwork and possible reduction and addressing EEO/Affirmative Action issues.

#### **AREAS FOR IMPROVEMENT**

The Commission has had the major concepts and principles of TQL in place for many years. However, there is always room for improvement. In fact, one of the core principles is constant monitoring for distortions and improvement. There are areas where the PSC can do better.

One area where improvement can be made is defining the agency's mission and establishing goals, objectives and strategies

in line with the mission. An agency's mission can change. The Commission is created by and responsible to the legislature. Its mission is defined to a large extent by what the legislature wants the agency to do. It is important to evaluate current conditions and examine the stated mission of the agency to see if changes have occurred. Also, it is important to periodically examine the goals, objectives and strategies that are in place to see if they are still appropriate.

This "periodic" review of the agency's mission and underlying goals and objectives should be done at all levels of the organization. That is, after the agency has evaluated and redefined the agency's mission, goals, objectives, etc.; each division should evaluate the division's purpose for existence, the established goals, objectives, tasks, etc. to ensure they are still appropriate and in line with the agency's mission. This should continue throughout the agency (bureau, section, etc) so that each and every level of the organization has examined, redefined and realigned it's objectives with the agency.

A second area for improvement is the use of postmortems. These are used currently in the agency to evaluate our own performance and find better ways to do things. They are our "work process" team's quality planning part of the process. The people that do the work evaluate their efforts, plans and actions and make recommendations to improve the process. The agency should make greater use of postmortems by requiring one for every docket or project and require first and second level management attendance.

Another area that should be examined for improvement is the use of teams in other work areas. That is, some of the work done at the agency is a natural for the TQL team concept. Rate cases are a case in point. This work requires teams to be established consisting of members with varying backgrounds and includes both staff and management. However, while teams are used extensively by the agency for some work, this doesn't mean we can't improve and find other areas where the team concept can be implemented. We should examine all work functions in the agency and determine if application of the TQL/TQM "team" concept could better the way we do our jobs.

A fourth is training. The Commission provides excellent training in many areas but should improve. Training should be a program, written down and with a purpose. It should tie to the employees progress and evaluation and provide for a goal. Training should be for all employees, analyst I's to the Executive Director; and all areas, support, technical and managerial. Achievement of the goals should tie to reward, a key element of TQM.

Finally, improvement can and should be made in the area of rewarding outstanding performance and achievement of established goals and objectives. As previously stated, reward is one of the

core elements and one of the keys to success. Historically, the PSC has been very good about this but over the past two years we have not. The opportunity for reclassification has always been a major recruiting tool and inducement to remain at the Commission. Recently our reclassifications have dropped off to nothing. We need to begin these again. Also, merit, special pay increases and special pay adjustments for class types should be pursued. We have been very active in these areas in the past, but not recently. Other agencies such as DER are doing all of the above and we are falling behind.

Travel has also been a part of the Commission's reward system for many years. Not as junkets for individuals but as opportunities to represent the Agency in providing and obtaining knowledge. Over the past several years we have restricted attendance and reduced attendance to where it is no longer an available reward. We need to reverse this.

#### **SUMMARY**

In summary, the Commission has had the major concepts and principles of TQL/TQM in place for many years and a mature TQM culture currently exists. The Commission has consistently pursued written goals, objectives and strategies and identified measures of success. The agency makes extensive use of teams in both producing our products and evaluating our work processes. There are areas where improvement can be made and we are working in that direction but overall, the concepts are well embedded and working.

**APPENDIX E**  
**COMMISSION INNOVATIONS, 1988-92**





COMMISSION INNOVATIONS, 1988-1992

State	Telecommunications	Electricity
Alaska	Interexchange telecommunications competition simplified ratemaking.	Simplified ratemaking.
Arizona	--	Adopted rules implementing least-cost planning.
California	The new regulatory framework is intended to put large local telephone companies in a competitive posture in order to stimulate them to provide services more efficiently and to offer new services and lower rates.	Recent policy decisions move California closer to open competition in electrical generation and define a level playing field for suppliers.
Delaware	Opened a proceeding to consider establishing regulations for the more efficient supervision of intrastate telecommunications service.	Developed guidelines for electric utilities to submit integrated resource plans. Established electric service territories for investor owned and municipal utilities.
Florida	See Appendix D	
Illinois	--	--
Indiana	--	--
Iowa	--	--
Kentucky	Telephone Task Force comprised of industry, consumer, and PSC volunteers; meets regularly to discuss various topics and trends.	Interagency approach to meeting requirements of Energy Policy Act and Clean Air Act Amendments.
Louisiana	Incentive regulation on a trial basis.	Rate freeze accompanied by allowing an electric utility to retain a damage award in a court case.

State	Telecommunications	Electricity
Michigan	Implementation of new state law designed to increase competition.	Competitive bidding for new capacity additions and comprehensive demand-side management program.
Montana	Telecommunications Act of 1991: equalization of other common carriers.	Least-cost planning.
New Hampshire	Competition docket in final stages; Phonesmart (including Caller ID) implemented; organized two statewide telecommunication conferences involving regulators, other state agencies, legislators, vendors, designers, and end users.	Established separate Integrated Resource Planning (IRP) division to enhance commission focus on energy planning for electric utilities.
New Jersey	Alternative regulation for noncompetitive services; installation of fiber optic technology throughout state.	Demand-side management and conservation regulations.
New Mexico PSC	(Does not regulate telecommunications.)	New Mexico initiated an IRP process in 1991 and is continuing that process today.
New York	Promotion of competition, where appropriate; incentive regulation.	Promotion of demand-side management, competition, decoupling and incentives.
Ohio	Minimum telephone service standard, basic telephone service assistance, telecommunication relay service.	Established utility radiological safety board, home weatherization program.
South Carolina	Incentive regulation.	--
Tennessee	Master technology deployment plan (10 year), regulatory reform.	--

State	Telecommunications	Electricity
Texas	Determined market dominance for interexchange carriers (1989), established earnings monitoring program for telecommunications utilities (1989), established Relay Texas telecommunications service for hearing-impaired and speech-impaired (1990), inventory of telecommunications services (1991).	Established earnings monitoring program for electric utilities (1989), improved emergency response coordination among utilities, regulators (1990), initiated IRP (1992).
Wisconsin	This question is too broad to respond to, other than for administration.	--

Source: 1993 NRRI Survey, question 3.



COMMISSION INNOVATIONS, 1988-1992

State	Gas	Water	Administration
Alabama	--	--	Installed a computer network, consolidated the location of all PSC staff, implemented new employee evaluation system.
Alaska	--	--	Use of planned retreats.
Arizona	Fully implemented natural gas master meter program.	Small water company technical assistance program.	--
Arkansas	--	--	Established research and policy development section. Reorganized into functional, specialized sections.
California	CPUC's recent policy decisions move towards opening the regulated natural gas industry to competitive forces.	CPUC's long-running, ongoing investigation of the regulatory risks faced by water companies has resulted in decisions to raise rates of return, allow cost-of-living index increases, and allow all fixed cost in the service charge.	CPUC management is currently engaged in implementing its staff relations and development program which encompasses all aspects of personnel administration.

State	Gas	Water	Administration
Colorado	--	--	In the past year, initial implementation of TQM within the PUC established a first, high level, TQM project team using an organizational development model to address the fundamental ways we do business and to determine the optimum organizational structure to deliver services to all customers.
Delaware	Implemented new incentive program for unaccounted for gas. Considering the necessity for a separate gas supply portfolio for gas supplied for electric generation.	--	Expanded use of personal computers for both word processing and utility analysis.

State	Gas	Water	Administration
District of Columbia	--	--	Use of LAN, new phone system, "collaboratives" for a number of ongoing issues. All staff have their own computers. Extensive use of database (using PARADOX) inquiries. New payphone complaint program (1991). New community outreach program (1992). Expanded community hearings in formal cases. Produced and aired public service announcements. Prepared slide presentation on Commission.
Florida	See Appendix D	--	--
Illinois	--	--	Reorganization of public utilities division.
Iowa	--	--	A local area computer network was installed in 1988. Reviewing a case management system.

State	Gas	Water	Administration
Kentucky	Gas Task Force, comprised of industry, consumer, and PSC volunteers, meets periodically to discuss various topics and trends.	Increased interagency efforts with Kentucky Division of Water, which regulates water quality and service.	Development of written policy manuals governing administrative and operational procedures. PSC will soon initiate computerized text retrieval system, similar to Westlaw, to enhance and expedite preparation of Commission orders and reports.
Louisiana	Automatic rate adjustment mechanism on a trial basis.	--	--
Michigan	Flexible market pricing for customers with competitive alternatives.	--	Case processing guideline designed to reduce (or eliminate) backlog of outdated cases.
Missouri	--	--	Case co-ordination procedures, Agency reorganization 1990. Updated Employee Handbook, updated Internal Procedures Handbook.
Montana	Unbundled Montana Power Company Gas services, initiated least-cost planning.	--	Additional issues identification/computer case management.



State	Gas	Water	Administration
New Hampshire	Expanded IRP focus, will extend to gas utilities.	Developing streamlined rate case processing for smaller water utilities; cosponsored conference and legislative initiatives with state environmental agency involving and coordinating all parties involved or affecting water utilities, including legislators, regulators, developers, ratepayers, consumer advocates and municipalities. Focused on Clean Water Act and problems with small water utilities.	Expanded administrative applications of computer network to track legislation, consumer complaints, open dockets, discovery requests and responses, transcripts and other inhouse and outside databases. Participated in NH NET, an information sharing network of NH schools, universities, business. Instituted monthly inhouse training program addressing both regulatory and administrative functions.
New Jersey	Weather normalization clauses, recovery of coal gas plant remediation costs.	Purchased water and sewer treatment adjustment clauses.	--
New Mexico PSC	Initiated a notice of inquiry on natural gas vehicles.	Commission's activities with IRP also include water.	Commission initiated the development of a policies and procedures manual, as well as a program for community involvement.

State	Gas	Water	Administration
New Mexico CC	--	--	Information Systems five-year plan. Personnel practices and procedures, micrographics records management practices and procedures, docket control practices and procedures.
New York	Promotion of competition, where appropriate; incentive regulation. Promotion of demand-side management, competition, decoupling and incentives.	Promotion of consolidation, incentives.	Thorough organizational assessment and a minor reorganization.
Ohio	Adoption of Department of Transportation gas pipeline safety standards, encoding of pipeline safety violations.	Minimum water standards.	Commission wide electronic mail and other information processing techniques including public access, team building, experimenting with electronic case filling.
South Carolina	Review of purchasing efficiency.	--	--
Tennessee	--	--	TQM, data processing systems.
Texas	--	--	Developed local area network, implemented affirmative action recruitment plan.
Wisconsin	--	--	Quality management.

Source: 1993 NRRI Survey, question 3.

**APPENDIX F**  
**MEASURES OF STATE REGULATORY**  
**COMMISSION PERFORMANCE**



**MEASURES OF STATE REGULATORY COMMISSION PERFORMANCE**

State	Ratepayers	Utilities	Legislature	Other individuals or groups
Alabama	Election of commissioners, consumer complaints data, surveys paid for by the Commission.	--	--	--
Alaska	Consumer protection section comments.	Feedback from consumer protection section comments, surveys.	Continued existence of agency, adequate budget.	Feedback, surveys.
Arizona	Track customer complaints, monitor newspaper coverage.	Monitoring rates of return.	--	--
Arkansas	Reduced activity or level of complaints-- formal/informal concerning utility company rates and/or quality of service.	Provision of quality service to customers within order and rules of Commission.	Agency appropriation is passed by General Assembly; PSC rules, regulations, and contract requests are approved.	Approval of requests made to central state agencies - i.e., budget, personnel, accounting, purchasing.

State	Ratepayers	Utilities	Legislature	Other individuals or groups
California	CPUC has no quantitative measures per se, but does keep its ear to the ground and generally knows when the various parties to its processes are happy or unhappy.	--	--	--
Colorado	Trend analysis of rates over time, comparison of rates with other states, adequacy of service, cost of administration/rate payer (\$2.87/yr)	Whether rates are sufficient for utilities to stay in business and provide excellent service to customers.	Success on specific bills, obtaining adequate budget appropriation, confirmation of commissioner appointments, sunset review outcome every five years.	Monitoring how agency is treated in media, reports on consumer complaints.
Delaware	PSC is developing a "How are we doing" survey that can be used to gauge customer satisfaction.	--	--	--

State	Ratepayers	Utilities	Legislature	Other individuals or groups
District of Columbia	Tracking consumer complaints and inquiries, receipt of letters. Also feedback received at community meetings - currently at the rate of at least one a week.	--	--	Same as ratepayers.
Florida	See appendix D	--	--	--
Indiana	Do not use quantitative measures with the exception of Pipeline Safety Consumer Affairs Division. Pipeline safety measures are the number of reported leaks. Consumer affairs, number of complaints handled.	--	--	--
Iowa	Number of customer complaints.	Number of decisions appealed to courts.	Proposed legislative changes	Press coverage

State	Ratepayers	Utilities	Legislature	Other individuals or groups
Kentucky	Reduction in number of complaints concerning rates and service.	Reduction in contested actions/proceedings due to improved settlement procedures and clarification of policies and regulations.	Reduction in number of controversial bills and/or revisions due to strengthened communication with utilities, consumers, and legislators.	Increased participation by intervenors in proceedings and reduction in number of complaints.
Louisiana	Survey of complaints processed by districts on a telecommunications, electric, and natural gas basis.	Requirements to file held applications, applications for regrades. Incentive regulation in United trial areas. Tried to service criteria in telecommunications.	--	--
Michigan	Rate comparisons with other states.	Earned return on common equity and interest coverage ratio.	Number of cases not completed within statutory time frame.	--
Missouri	Consumer complaints or praise, public meetings statewide.	--	--	--



State	Ratepayers	Utilities	Legislature	Other individuals or groups
Montana	How rate increases compare with inflation.	How often utilities file and their rate of return.	One to one feedback with legislature to commissioners.	Commissioners are elected and maintain close contact with the electorate.
New Hampshire	Number of complaints resolved without hearing; feedback by mail, telephone or at public hearings, feedback from legislators and other public officials, request feedback from public via PUC newsletter.	The PUC sponsors special conferences involving utilities on special areas of concern; information gleaned from hearing process and other communications between the utilities and the PUC personnel.	Commissioners invite pertinent legislative committees to the commission each year to familiarize them with the PUC and to discuss matters of mutual concern. Attend all legislative sessions pertaining to the PUC.	Numerous evening hearings and hearings outside of the commission offices to maximize opportunities for the public to comment on a matter before the PUC. Invite the public to attend our hearings and to otherwise communicate with us via telephone or letter. Encourage ratepayers and other interested parties to participate in our hearing process.
New Jersey	Quantitative measures as an indicator of Board job performance were explored but rejected as being unfeasible.	--	--	--

State	Ratepayers	Utilities	Legislature	Other individuals or groups
New Mexico PSC	Level of participation in cases.	Frequency of dealing with each utility.	To some extent based upon level of budget appropriation.	Views expressed in the press.
New Mexico CC	--	--	Appropriations.	--
New York	Complaint rates, focus groups, public hearings.	Complaint rates; extensive service standard criteria ratings, especially in telecommunications	Legislative results.	--
Ohio	Length of time it takes to process a case, number of consumer complaints.	Reduced number of rate cases, reduced number of bond resources, low number of compliance violations.	Support and passage of budget and key legislation when requested.	Current or public meetings and forums, citizen advisory council meetings.
Oregon	--	--	--	--
South Carolina	--	--	--	--
Tennessee	Customer service tracking through companies and with PSC resources	Annual survey	--	Random surveys

State	Ratepayers	Utilities	Legislature	Other individuals or groups
Texas	Weighted average of single-line residential and business telephone rates in Texas as percent of national average; average cost of electricity per kilowatt hour in Texas for residential, commercial, industrial, total of all classes as a percent of the national averages.	Weighted average of earned rates of return on equity in Texas as a percent of the allowed rates of return on equity granted by regulatory agencies nationwide.	The legislature measures the performance of the agency on its achievement of the goals on the averages described in other parts of this question.	Percent of households with telephone service in place, number of calls completed through Relay Texas (speech-impaired and hearing-impaired).
Wisconsin	Rate level comparisons with other states, number of customer complaints.	Financial ratings--service performance standards; rate levels; innovative programs.	Cases handled, innovative programs, fiscal restraint.	--

Source: 1993 NRRI Survey, question 6.

