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UKRAINE

ORGANIZATIONAL DEVELOPMENT REPORT

**NIS Institutional Based Services Under the Energy
Efficiency and Market Reform Project
Contract No CCN-Q-00-93-00152-00**

**Ukraine Power Sector Reform
* Delivery Order No 18**

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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September 11, 1998

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CHAPTER 1

EXECUTIVE SUMMARY

1 1 NERC ORGANIZATIONAL DEVELOPMENT ANALYSES

This report includes (1) analysis of the organizational structure of the National Electricity Regulatory Commission, recommendations aimed to assist in the Commission's organizational development issues, including recommendations for NERC's organizational development to regulate oil and gas sectors with detailed evaluation of the desired functions to be performed by each department and (2) plan for strengthening local offices

The NERC organizational development work included two interrelated analyses (1) high-level management analysis, and (2) middle and low-level management analysis. These two analyses provided us with sufficient information to accept or reject our preliminary ideas on how to improve overall performance of the NERC

1 1 1 High-Level Management Analysis

The first analysis of the organizational structure of NERC was conducted in April-May, 1998 and resulted in NERC Organizational Change Recommendations Draft presented to the Commission in May, 1998. This draft includes major findings of the organizational analysis conducted at the level of the Chairman, Commissioners, Executive Director and Department Heads. The draft recommends specific organizational steps to be taken by the Commission to meet NERC's current and expected workload related to new responsibilities for oil and gas regulation (see Appendix A)

1 1 2 Middle and Low-Level Management Analysis

The second-level of the organizational work included the middle and low-level management analysis that was made in accordance with the plan agreed with the Chairman (see Appendix B). That analysis was a logical continuation of the high-level management analysis with a more in-depth study of the NERC's information flows and decision making patterns, identification of the task segments performed by NERC, people assigned to each task segment, information requirements by job, and "bottlenecks" of the communication process within and between departments and divisions

1 2 OBJECTIVES, CRITERIA AND METHODS

Objectives

Results of the analyses allowed us to better understand what segments of NERC's work were non-value added and did not correspond to the functions assigned to the Commission. In addition, we were able to identify business essential and value added segments that required organizational re-designing to optimize work processes.

In other words our objectives were to determine (1) what functions has been performed by the Commission, its departments, and individuals within the departments, (2) what functions they failed to perform, and (3) what additional functions they would need to perform. Besides, we were concerned with the question what organizational structure change had to be introduced to improve NERC performance and, more important, what organizational culture change was essential to gain success.

It is important to mention that our analyses were not designed to assess the quality of the work conducted by the Commission. We were mostly concerned with the malfunctions and delinquencies associated with organizational shortcomings. Our recommendations give an organizational framework that should result in more effective and efficient performance of the Commission.

Criteria

Two criteria were used to make organizational recommendations: (1) functional conformity and (2) efficiency of the process. Based on the results of the analyses we proposed organizational change recommendations and designed a modified NERC organizational structure that, we believe, would enhance Commission's ability to meet its task requirements.

Methods

In our work we have studied major legal documents related to the operation of the NERC including Presidential Decrees, NERC Provisions of December 8, 1994 and April 21, 1998, appropriate Resolutions of the Cabinet of Ministers, NERC Regulations for the Departments including Secretariat, Licensing and Pricing, General Affairs, Department of Local Offices, Division for Economic Analysis and Prognosis, Local Offices, Legal Department, and Public Relations Department, etc.

NERC Commissioners and staff were very helpful in providing information essential for the analysis. We particularly appreciate the help of Mr. Zhvakín, Executive Director, who

was our official counterpart in the organizational development work. Through Mr Zhvakın we were able to communicate our initial recommendations and ideas, and to obtain NERC's comments and concerns. Mr Zhvakın supplied us with NERC's Organizational Structure Draft that reflected some of the recommendations defined in our first Organizational Change Recommendations Draft (see Appendix C). Our second Organizational Structure proposal took into consideration the Commission's concerns and the work that had been completed by our consultants. Thus, a two-way discussion was a part of our work since both our team and the NERC management enjoyed an information exchange during the whole project.

Questionnaireing was one of the methods used in the analyses. In total, 46 meetings were conducted, and 37 persons were interviewed in the Commission headquarters in Kiev. This means that 48.1% of the employees were interviewed outside of the logistics and transportation group (see Appendix D). Results of the interviews were carefully analyzed, and we were able to use them as a valuable source of information (see Appendix E for the Questionnaire).

In our work we conducted trips to four local offices at Cherkassy, Vinnitsa, Zhitomir and Chernigov oblasts. Meetings with the staff at local offices gave us a valuable information about operation of the regional offices, their interrelations with the headquarters and other NERC local offices.

1.3 COMMISSION 1995 TASKS

Organizational structure of the NERC has been developed to meet task requirements defined in the old Provisions that were in effect from March 14, 1995 till April 21, 1998.

Major tasks approved by the Presidential Decree included the following:

- promotion of competition in the area of electricity generation, transmission and supply
- enforcement of licenses for electricity generation, transmission and supply, and control over the observation of licenses
- shaping up of pricing policy for establishing electricity tariffs and protection of consumers' rights,
- development and approval of the electricity usage code

The Commission established eight main departments and divisions subordinated through the Executive Director to three Commissioners (including the Chairman).

- 1 Secretariat
- 2 Department of Licensing and Pricing
 - Division of Energomarket and Electricity Generation
 - Division of Electricity Transmission
 - Division of Electricity Supply
- 3 Legal Department
- 4 Technical Department
 - Computerization and Information Science Division
- 5 Division of Economic Analysis and Prognosis
- 6 Department of Public Relations
- 7 Department of Local Offices
- 8 Department of General Affairs
 - Accounts and Labor Organization Division
 - Staff Recruitment and Information Protection Group
 - Administrative Group

The structure designed by the Commission in 1995 was aimed to meet NERC's functional requirements and is currently in effect (see Appendix F)

1.4 COMMISSION 1998 TASKS

The Commission's responsibilities were expanded by the Presidential Decree of April 21, 1998. NERC was authorized to regulate oil and gas markets. There are several major tasks specified in the new Provisions on the National Electricity Regulatory Commission of Ukraine:

- participation in developing and implementing integral state policy regarding development and functioning of the wholesale electricity market, and the gas, oil and oil products markets,
- state regulation of natural monopoly entities activity in the power sector and oil and gas complex,
- promotion of competition in the fields of energy generation, electricity and gas supply, gas and oil production, storage and marketing of gas and oil,
- securing of implementation of pricing and tariff policy in the power sector and in the gas and oil complex,
- securing of effective operations of commodity markets by means of trade-offs between interests of society, natural monopoly entities and consumers of their goods and services,

- protection of the rights of consumers of electricity, heat, gas, oil and oil products,
- working out and approval of the Electricity and Gas Usage Codes,
- coordination of public agencies' activities related to fuel markets regulation,
- issuance of licenses for electricity generation, transmission and supply to entrepreneurial entities,
- monitoring compliance of licensees with the terms of the licenses

It is obvious that a whole new area of oil and gas regulation has been added to the Commission's authority. Therefore, it is important to make appropriate organizational changes in order to be able to deal with new tasks and to keep up with the current work load.

According to the Presidential Decree of April 21, 1998 two new Commissioners will join the NERC office. Unfortunately, the government has not approved the nominees and we were not able to discuss organizational issues with new Commissioners. However, we hope that they will find our recommendations useful.

We believe that a proposed organizational structure of the National Electricity Regulatory Commission will help the Commission to fulfil tasks specified in the Provisions.

CHAPTER 2

PRIMARY ORGANIZATIONAL CHANGE RECOMMENDATIONS

2.1 ORGANIZATIONAL CULTURE

There are hundreds of ways to design the organizational structure of an organization. It may be multi-layer or flat, it may have many organizational units or a few, it may have very complex information and subordination flows or a relatively simple communication patterns. However, organizational structure is just a form or shell of the organization. The essence of the organization is really made of the people and an organizational culture cultivated in the organization. The organizational culture is a set of official and informal rules and procedures accepted and followed by in the organization. It is a matter of changing people's minds, their customs and habits that make an organization work more efficiently and effectively.

Change of organizational culture takes time. It is a far more complicated process than just changing an organizational structure. The role of the Chairman, Commissioners and managers in this respect is paramount. The organizational culture is normally shaped by the leaders of the organization. These leaders, as a rule, are official heads who set the rules in the organization. The Chairman, Commissioners and the Executive Director's task is to explain what should be changed in the current organizational culture of the NERC.

For example, it is very difficult to persuade department heads that checking all documents coming out of the department is not an optimum way of doing business. However, many employees believe that the existing process is appropriate. There could be several reasons for that: (1) I have to know everything that is going on in the department, (2) I am not sure that the subordinate would do a high quality job, (3) I have information therefore I know more than others and I am valued for that.

Clearly, a department head should know the general status of work and the major happenings within his/her department. However, a manager can not keep everything in mind, especially if we talk about thousand of work specifics. It is even more difficult to keep up if the department workload is growing. At some point, the manager is overwhelmed with the information that she/he tries to control and to process.

The manager's job is to manage, not to perform the job of the employees. By micro-checking work the manager accepts responsibility for the work done by the employees. Instead of checking every step made by the subordinate, the manager should think how to improve the quality of the employee's work.

Training, including on-the-job training, is one of the ways to increase quality of work. The manager may assign a more experienced worker to help and to supervise. The manager may

consider arranging training seminars and programs to improve the quality of the staff work. The manager should think about organizational restructuring within the department to improve information flows and to increase productivity. In other words, the manager should manage, not substitute for the workers.

In addition, it is important to make a mental shift to valuing information as a common good and an instrument to make the organization work better, rather than as personal power and strength in the organization.

We believe that it is essential to have a regular weekly staff meeting conducted by the Executive Director(s), and at least monthly meetings for the personnel conducted by the Chairman and/or Commissioners. We would advise that the Chairman inform the staff on the major milestones completed by the Commission, the problems that the Commission may face, and the issues that are of professional interest to the whole Commission. It is also important that the Chairman explain his view on the organizational culture in the NERC, his understanding of the real values in the organization, and his requirements as to the informal and formal work procedures.

2.2 BALANCE OF ORGANIZATIONAL AND FUNCTIONAL RESPONSIBILITIES

If staff is delegated more authority and responsibility, the Commission will be prepared to accept the principle of functional authority and responsibility as opposed to current hierarchical authority and responsibility. Today, major responsibility lays on the department heads who routinely check all work done by the subordinates. The Commission should change this practice. The Human Resource Division that functionally responsible for staffing issues, for example, should be more or at least similarly responsible for any flaws related to the staffing problems as their manager, General Affairs Department Head. The department head could be held accountable for the inability to manage properly the process, that the Human Resource Division staff was not provided with the information it needed, or that the training was not conducted. However, a substantial responsibility should lay upon the Human Resource Division that was not able to complete the work.

Let us assume a hypothetical situation that is based on a real life example. An executive dictates a formal letter through the secretary. When he finishes the letter, the secretary passes him the document and asks him to check it before he signs and sends it out. The executive refuses, saying that he is not going to take the secretary's responsibility. He says that it is her responsibility to do her work properly (typing letters) and his responsibility to do his work properly.

Thus, we see that both the executive and the secretary are responsible for a final product. However, it is important to keep the line between the responsibilities, not to take somebody's responsibility, and not to shift one's responsibility to someone else's shoulders.

2.3 TYPE OF STRUCTURE

Our major recommendations for NERC organizational development include restructuring of the old departments and creation of several new departments

Recommendation we recommend a combined staffing approach that blends both functional and industry chains of responsibility. Managers of Departments may be functional experts with Division Managers having industry specific expertise

This structure is more efficient than a pure parallel staffing structure since it requires fewer experts and, therefore, less funding. On the other hand, this structure allows for the narrow specialization that is an attribute of the parallel staffing. The combined staffing approach is recommended, for instance, for the Department of Licensing and Pricing that will deal with electricity, oil and gas regulatory issues

2.4 STRUCTURAL CHANGE

Recommendations (see Appendix G for the NERC Recommended Organizational Structure)

- 1 create an executive layer of three equal Executive Directors with different areas of responsibility
- 2 create Offices of Special Assistants for each Commissioner and the Chairman as separate organizational units,
- 3 combine the Department of Licensing and Pricing with the Department of Local Offices,
- 4 create under the Department of Licensing and Pricing Division of Electricity Generation and Transmission, Division of Gas & Oil Storage and Transportation, Division of Gas Supply, Licensee Compliance Division with the Audit Group in addition to the existing Division of Electricity Supply,
- 5 create an Analytical Division,
- 6 create Department of Competitive Issues that includes Division of Energomarket and Division of Gas Production and Trading,
- 7 create Department of Government and Public Relations that would consist of Political Affairs Group, Public Relations and Media Development Group,

Primary Organizational Change Recommendations ▶ 2-4

- 8 create Consumer Affairs Division under Legal Department,
- 9 create Department of Technical Analysis based on the existing Technical Department, and form Safety Group and Standardization Group within it,
- 10 create Division of Computerization, Communication and Information,
- 11 create within the General Affairs Department the Human Resource Division and Finance Division, and retain Division of Administration,

CHAPTER 3

ORGANIZATIONAL RESTRUCTURING RECOMMENDATIONS

3.1 COMMISSIONERS AND EXECUTIVE DIRECTORS

According to the Presidential Decree of April 21, 1998, two new Commissioners will join the office of the NERC. Presumably, one of the Commissioners will be an expert in gas or/and oil industry. We, however, do not think that there is a need to formally assign areas of responsibility to the Commissioners. The separation of interests and areas of special attention will take place naturally when all five Commissioners join the office. Official allocation of responsibilities may lead to a biased regulatory trends, favoritism and policy conflicts.

We recommend that the Chairman and Commissioners focus more on regulatory policy issues rather than operational matters of the Commission, and shift responsibilities for the functional management of the NERC to the Executive Directors. Our organizational development plan is aimed to free up the Chairman and Commissioners from the executive management burden. That will allow the Commissioners to spend more time and efforts on policy problems, strategy of the Commission, regulatory development process, and analysis of the overall energy sector restructuring needs.

Thus we recommend creating a highly professional, powerful and flexible executive layer made of three Executive Directors with equal authority but different areas of responsibility. The Executive Directors, functioning within the policy guideline of the Chairman and the Commissioners, would be responsible for the daily operation of the Commission. Through their direction of Department managers and other Commission staff they ensure that the regulatory and administrative functions and procedures of the Commission are accomplished.

The Chairman and Commissioners may assign (see Appendix G) one of the Executive Directors to manage

- Department of Licensing and Pricing
- Department of Competitive Issues
- Department of Technical Analysis,

the second Executive Director would supervise

- Legal Department
- Analytical Department
- Department of Governmental and Public Relations

and the third Executive Director would manage

- General Affairs Department
- Secretariat
- Division of Computerization, Communication and Information

Although the three Executive Directors have discrete areas of responsibility, they should work in close coordination as a team. Every morning the mail received should be sorted out by an employee of one of the Executive Directors. The "policy" documents should be separated from the "operational" documents. The "policy" documents are those documents, requests and official letters that require regulatory decisions by the Commissioners, development of policy and guidelines. A policy document, for instance, may be a request from the Parliament to present the Commission's opinion on a tariff increase. Policy documents should be passed to the Chairman and Commissioners.

The "operational" documents are those that do not need special attention of the Commissioners, and fall within the policy guidelines that have been developed by the Commissioners. The operational documents may be, for example, a complaint from a consumer, license application, or a resume for position of driver. These documents should be distributed among the Executive Directors according to their areas of responsibility. The Executive Directors then assign tasks to their Departments and Divisions.

It is important to emphasize that we do not support an idea of having one Executive Director and two Deputies. The reasoning behind the argument is that the structure of three equal Executives would reduce burden of operational management from the Chairman and the Commissioners on one hand and would eliminate an information flow 'bottleneck' (one Executive Director is a communication bridge between the staff and the Commissioners) of the current Commission structure on the other hand.

Today the Executive Director alone is not able to communicate effectively with Departments, Divisions and the Commissioners. Therefore departments heads contact Commissioners directly and involve them in routine operational activity. If the Commissioners adopt the structure of one Executive Director and two Deputies, they would not eliminate the information bottleneck and would create an additional layer of bureaucracy in the organization.

The Chairman and the Commissioners might be concerned with a potential problem of losing daily operational information. Therefore, informal and formal reporting procedures should be introduced. The Executive Directors would meet weekly with the Chairman and the Commissioners and report on what tasks were assigned to the staff, what tasks were completed, what tasks were not accomplished, why, etc. In addition the Commissioners and the Executive Directors should regularly meet on daily basis or as required.

3.2 OFFICES OF SPECIAL ASSISTANTS

We recommend creation of Offices of Special Assistants for each Commissioner that would be comprised of Policy Advisor(s) and an Executive Assistant in each Office. The primary function of the Office is to act on both a technical and legal advisory capacity to the Commissioners in all aspects of regulation. The duties of the Office would include review, modification or clarification

of final Commission orders, review of Commission policy statements and advising Commission on other regulatory issues

3 2 1 Policy advisor

Policy advisor should be hired for each Commissioner. One or more senior staff should be provided to each Commissioner for the purpose of advising the Commissioner in a confidential forward-looking manner relative to the developments and implications of regulatory policy and implementation. These advisors should be directly chosen and hired by each Commissioner and should not report to the NERC Executive Directors.

They should be trained, experienced professionals with an understanding of energy licensee regulation and/or the electricity, natural gas and oil industries. They should have a good understanding of staff skills, responsibilities, and competencies and also be well versed in policy and politics. Thus, they could advise Commissioners on the pros and cons of various implementation approaches to policy and laws, and proposed NERC rules and procedures. The advisors could also represent the NERC or individual Commissioners at national and international gatherings, both technical and policy oriented.

3 2 2 Executive Assistant

Executive Assistant should be hired for each Commissioner. The function of the Executive Assistant is to provide general assistance to the Commissioner, to maintain correspondence files and other Commission documents, to collect information and data for the Commissioner in preparation for meetings and/or conferences, to compile data for use in general correspondence, memoranda and reports, to schedule meetings for the Commissioner and provide proper notice to participants, to interact with personnel of the offices of other Commissioners as required, to convey requests and instructions to Departments as authorized, to prepare and sign inter-office memoranda and correspondence and other documents as authorized.

Currently, the Chairman has an advisor and an assistant in his office. Two Commissioners share services of another advisor and an assistant. We believe that the Commissioners will have more extensive communication flow when two new Commissioners join the office. Therefore, it is advisable to assign internal communication responsibilities to the Executive Assistants and to shift research and advising load to the Policy Advisors.

It is also necessary to ensure that the Office of Special Assistants report directly to the Commissioner rather than the Executive Director.

3.3 DEPARTMENT OF LICENSING AND PRICING

This Department would combine the current Department of Licensing and Pricing and the Department of Local Offices, as well as newly created, reorganized and currently existing divisions: Division of Electricity Generation and Transmission, Division of Electricity Supply, Division of Gas & Oil Storage and Transportation, Division of Gas Supply, Licensee Compliance Division with Audit Group, Local Offices Division, and Local Offices. The Division of Energomarket should be moved to the new Department of Competitive Issues.

Primary activities of the Department

- 1 Analyze proposed and existing tariffs of natural monopoly licensees
- 2 Analyze licensee activity and compliance with rules
- 3 Monitor service problems
- 4 Develop proposed rules (in cooperation with the Analytical Division)
- 5 Identify problems with existing rules
- 6 Process license applications
- 7 Process consumer claims

3.3.1 Division of Electricity Generation and Transmission

would combine responsibilities of the current Division of Electricity Supply and electricity generation related activity of the former Division of Energomarket and Electricity Generation. Staff of the appropriate Division should be combined and substantially increased.

3.3.2 Division of Electricity Supply

will continue performing their current tasks. The Division is understaffed.

3.3.3 Division of Gas & Oil Storage and Transportation

would establish, review, and monitor tariffs and other charges for the storage of gas and transportation of natural gas and oil by the major pipelines. The Division would also investigate and determine the cost of gas and oil transportation and gas production, and assist the Licensee Compliance Division and Audit Division with respect to compliance by the transportation companies with Commission rules. In addition, the Division would assist in preparing rules, regulations, and amendments to existing regulations in the area of pipeline and storage regulation and valuation.

3 3 4 Division of Gas Distribution

The role of the new Division of Gas Distribution would be to establish, review, and monitor tariffs and other charges by natural monopoly licensees for the distribution of natural gas to residential and small industrial customers. The Division would investigate and determine the costs of the gas distribution companies, analyze their activities and assist the Licensee Compliance and Audit Divisions with respect to the distribution companies' compliance with Commission rules. The Division would also assist in preparing rules, regulations, and amendments to existing regulations in the area of gas distribution. The Division would work closely with the Department of Competitive Issues in the regulation of the price paid for gas by distribution companies.

3 3 5 Licensee Compliance Division

This Division would employ electric, natural gas and oil experts. It would closely work with the Local Offices that should be also staffed with experts in electricity, gas and oil regulation. This Division will carry out much of its work through field work of local office staff. The mission of the Licensee Compliance Division is to monitor and enforce Commission rules in all jurisdictional industries. This Division ensures conformance with Commission policies and decisions.

This Division should routinely work with the proposed Analytical Division to discuss rules that may require revision, possible enforcement problems, and patterns of abuse that may require Commission review. The Licensee Compliance Division should also monitor informal consumer complaints processed by the Consumer Affairs Division as an essential part of its enforcement role.

This Division should work with the proposed Department of Technical Analysis and the Local Offices in the overall quality of service, and monitoring compliance with the Commission's provisions. For example, Safety Group and Standardization Laboratory at the Department of Technical Analysis would be a primary advisor to the Licensee Compliance Division regarding the pressure and thermal content of natural gas and accuracy of meters.

Audit Group

It is recommended to create the Audit Group within the License Compliance Division. The Audit Group would be responsible for audit activity, including

Original Cost Audits These audits examine the property, plant and equipment accounts of the regulated licensees. The audits determine the propriety of the property, plant and equipment records together with an evaluation of the usefulness of that equipment. The audits are completed to determine compliance with the license provisions as to the tariff formation including amortization costs. Noncompliance with these

regulations would require the licensees, by Commission Order, to adjust their asset accounts
The audits may be conducted on a five year cycle

Note We understand that currently the cost assessment is performed by other governmental bodies, and the existing legislature does not require NERC to take this responsibilities. However, we believe that Commission will eventually take over this task as a regulatory energy body. Thus, Commission may want to consider cost audits as a future task for the Audit Group

Management Audits are performed to determine the extent to which a licensee has contained costs, developed reasonable long and short-range plans for the firms' continued operations, provided proper service to the customers it serves, and provided proper management and organizational structure

Periodic management efficiency investigations are also can be conducted by the Audit Group. The purpose of these investigations is to examine the management effectiveness and operating efficiency of the large regulated licensees and to monitor their responses to previous management audits

Management audits may be conducted at a minimum of five-year, and maximum of eight-year intervals

Compliance Audits determine a licensee's compliance with a wide range of applicable laws, rules and regulations. They complement other types of audits performed by leading into and/or following up on the finding and recommendations of other audits

The Audit Group may perform other audits of a wide range of Commission interests. They may include special investigations of alleged improprieties reported to the Commission. The scope and procedures for these audits will vary greatly depending on the circumstances

3.3.6 Local Offices Division

As mentioned above, we recommend combining the Department of Licensing and Pricing with the Department of Local Offices. The Local Offices Division would coordinate activity of the Local Offices and provide administrative and information support to them. The Division should carry on responsibilities of developing Work Plans for Local Offices, recruitment of personnel for Local Offices, arranging for office space and equipment, maintaining communication with Local Offices, making periodic visits to Local Offices to assess progress of their functions and possible modifications in Work Plan

We believe that the Local Offices Division should not be responsible for designing seminars and training workshops for the Local Offices. Task of the Division would be to coordinate needs of the Local Offices and the Commission Divisions and Groups and to make arrangements required as to the organization of such seminars or workshops. The Division should frequently communicate with the Executive Director, General Affairs Department that should ensure logistical support, and any other department and division involved.

The Local Offices Division should re-focus its activity from executor of the work to be carried out by Local Offices to the facilitator, coordinator, and information distributor for the Local Offices.

The Local Offices Division should establish and maintain a reliable information flow with the Local Offices. Its task is to ensure that Local Offices receive timely information from the Commission headquarters, including Commission resolutions, policy documents, customer complaints, licensee information, and copies of license applications.

There was at least one case when a local office received information about a tariff change from a licensee rather than from the Commission. This is unacceptable because Local Offices are the organizational units of the Commission and the tariff related information is within their scope of work. We believe that the Local Offices Division should provide information support to the Local Offices in close coordination with the proposed Division of Computerization, Communication and Information, the Secretary and any other units involved.

3.3.7 Local Offices

Many of the primary functions of the Local Offices relate to the regulation of the prices charged and services provided by the natural monopolies. The personnel carrying out these activities should be under the direct control of the Department of Licensing and Pricing. Local Offices would be coordinated and formally supervised by the Local Offices Division. However, Local Offices would work directly with the Divisions and Departments that share common responsibilities with the Local Offices.

We also believe, after we have done an extensive analysis, that it would be necessary to keep all 25 Local Offices. Major findings about Local Offices are presented below in the Plan for Strengthening Local Offices.

3.4 ANALYTICAL DIVISION

The idea of creating an analytical unit was voiced by many interviewees during our analyses. Actually, Division of Economic Analysis and Prognosis has been established by the Commission in 1998. This division is to be mainly concerned with an economic analysis and forecast. However, Division of Economic Analysis and Prognosis has not started performing its duties.

We have discussed activity of the Policy Advisor and the Office of Special Assistants. It is obvious that Policy Advisors are doing analytical work, however, they are, like the Commissioners, involved to a large extent in the day-to-day matters at hand and seldom have time to take the longer look ahead. Therefore, the Commission needs an organization unit that would analyze issues which the Commission may face in the months or even years ahead in all aspects of its regulatory responsibilities. We think that the Commission needs a division that would deal not only with economic matters but also with social, political and technical issues.

This organizational unit would be a far-reaching instrument for the Commission to better plan its activity, get prepared for political and social changes, design and implement long-term technical policy, and ensure adequate perception and acceptance of the Commission's decisions. This division would develop factual papers, present options and alternative approaches and make recommendations.

The Analytical Division should work closely with the Department of Licensing and Pricing, Legal Department, Department of Competitive Issues, Department of Technical Analysis, and of course with the Department of Governmental and Public Relations.

The Division would provide policy recommendations concerning energy company mergers and acquisitions, market power and antitrust issues, conduct policy analyses of regulation and competition concerning transmission and distribution facilities, prepare operational and efficiency reports on electric, gas and oil companies, develop educational programs to assist all consumers in making informed decisions about their electricity, natural gas and oil purchases and alternatives, assess the impact of energy suppliers' strategies on overall resource allocation, develop and disseminate information and energy analysis on electric, gas and oil operational aspects, research a broad range of policy issues including energy forecasting, rate design, competition, conservation and energy efficiency initiatives, and participate in numerous task forces dealing with energy companies' operations and prospective regulations.

The Analytical Division would review energy companies' pilot programs and assess their potential impact on rates, develop economic development rates for electric and gas companies, prepare periodic reports on the economic status of the country and oblasts, provide economic analysis of major issues affecting the energy industries, develop policies to unbundle natural gas utility services, assess the contribution of energy companies to the economic development of the country, monitor electric and gas reliability, annually review, analyze and prepare a report on electric companies' long range demand forecasts, review, analyze and prepare annual reports on supply and demand forecasts of natural gas.

The Analytical Division would report to the Commissioners through an Executive Director.

3.5 DEPARTMENT OF COMPETITIVE ISSUES

A separate Department should be created to foster competition and provide market oversight of markets in which monopoly regulation is unnecessary and, indeed, counterproductive. This Department would include the existing Division of Energomarket and the newly created Division of Gas Production and Trading. Competitive market oversight skills are different from those required for regulation of the monopoly sector. For example, more economic and financial skills for review of activity, trends, and ease of market entry and exit are required for market oversight.

3.5.1 Division of Gas Production and Trading

The new Division of Gas Production and Trading would provide market oversight functions to the price deregulated market activities of producers, suppliers, traders and buyers of natural gas operating in Ukraine. If the buyer of gas is a distribution company, this Division in close coordination with the Division of Gas Distribution in the Department of Licensing and Pricing, would rule on the reasonableness of the transaction as viewed against the overall market price of natural gas in Ukraine. The Division would also seek to assure minimum market entry and exit barriers to encourage competition, and would assist the Analytical Division on industry restructuring by providing strategic gas market analysis including matters related to the proposed unbundling of production transportation and distribution facilities. In addition, if the auctioning of in-kind gas continues in Ukraine, the Division would assist in designing the structure of the auction process and would establish rules to ensure that the auctions are conducted in a fair manner and in the best interests of Ukraine.

3.6 DEPARTMENT OF TECHNICAL ANALYSIS

We recommend creating Department of Technical Analysis that would be based on the current Technical Department except for the Computerization Division. We recommend establishing the Division of Computerization, Communication and Information as a separate organizational unit in the Commission. The Department of Technical Analysis would include the Safety Group and the Standardization Group.

The expertise of the Department of Technical Analysis would be particularly important in processing formal and informal consumer complaints, reviewing licensee compliance, setting tariffs, etc. Thus, the Department of Technical Analysis would work in close coordination with the Department of Licensing and Pricing and with all its units, especially the Licensee Compliance Division.

In addition, the Department of Technical Analysis would frequently communicate with the Analytical Division. A technical specialist within the Analytical Division will be performing research on the prospective technical matters that the Commission would face. This research will be interconnected with the day-to-day operations of the Commission, and technical issues it resolves.

3 6 1 Safety Group

The Safety Group would focus on regulatory aspects of gas, oil and electricity safety. The Group would work with government bodies and research organizations on the technical safety issues of electricity, gas and oil production, distribution and transportation. The Safety Group would provide technical advice to the Licensee Compliance Division on safety matters, it would be also a contact point for the Consumer Affairs Division. The Safety Group would take part in developing and modifying the Electricity Usage Code and the Gas Usage Code with a particular interest in safety issues.

The Commission License conditions include provisions related to health and property safety requirements. Enforcement of these requirements can be done by means of periodic inspections. It is obvious that the Commission can not take inspection responsibilities at this point, besides it would be unreasonable to duplicate work of other state inspection agencies. Therefore, we recommend that the Safety Group develop list of documents to be presented to the Commission by the Licensees for periodic license reviews. These documents should include reports of the inspections performed by the authorized inspection bodies.

3 6 2 Standardization Group

The Standardization Group would work in a close coordination with the government bodies responsible for metering standard policy. It is important that the Commission understand metering requirements that currently exist in Ukraine, so that it could develop its own metering requirements to the licensees or/and recommend changes in the current national standard requirements.

3 7 SECRETARIAT

The Secretariat should remain responsible for document filing, docketing, safekeeping, control, dissemination, retention and retrieval. All official mail, formal complaints and requests should go through the Secretariat. All outgoing official mail should go through the Secretariat as well.

However, our analysis showed that some of the Secretariat responsibilities should be reconsidered and modified:

- 1) The Secretariat should not be responsible to remind the Departments about timely completion of assignments. That should be the responsibility of the department division or group heads that were assigned the work.

- 2) The Secretariat should report to the Executive Directors which documents have been received, which have been processed, which have not been processed, and what departments, divisions or groups are responsible for performance
- 3) The Secretariat should log in all letters and documents that require response of the Commission and pass it to the appropriate Executive Director for work assignment. The Executive Directors would select the operational documents and the policy documents while looking through the mail received. The policy documents would go to the Commissioners, and the operational documents would be directed by the Executive Directors to the departments, divisions and groups

We learned about inefficiencies of the mail flow currently practiced in the Commission

- 1 The mail is received by the Secretariat,
- 2 Secretariat logs in the mail,
- 3 Secretariat sends the documents to the Assistant to the Chairman,
- 4 The Assistant recommends assignments to the Departments
- 5 The documents are then sent to the Chairman
- 6 The Chairman re-reads all documents and approves/rejects/modifies assignments made by the Assistant,
- 7 The documents are returned to the Secretariat control cards are created and the assignments passed to the appropriate Departments

Obviously this document flow places an excessive load on the Chairman who has to deal with all documents received. The Assistant does not filter information flow but creates an additional information circle.

As we mentioned before, the Chairman and the Commissioners need to receive only the policy documents. The operational letters and documents should be submitted to the Executive Directors.

- 4) We recommend that the Secretariat staff not spend hours of working time carrying around documents to be read by the departments. If documents are not confidential the Secretariat should distribute copies to all concerned Departments and Divisions, so they could share information. The arguments against this recommendation were that (1) "making copies for all departments is expensive and that (2) "the departments and divisions would be over flooded with the papers"

We have calculated that if we put the cost associated with the salary of the “mover-around”, cost of creating and maintenance of the working space, cost of the work that could be done during this time on one scale, and the cost of the saved paper on the other scale, we would notice the inefficiency of the current process

The second argument seems unconvincing because nobody but departments control their internal paper flow, and they decide if they need to keep a document or not

- 5) Chairman and Commissioner Advisors as well as their Executive Assistants should be assigned to the Office of Special Assistants under each Commissioner and moved from the Secretariat
- 6) An electronic database of documents should be created and constantly updated
- 7) The existing electronic tracking system should be upgraded, so the Secretariat would be able to provide the Executive Director(s) at any time with report that would contain the following categories
 - period of time,
 - task assigned,
 - date of assignment
 - responsible Divisions, Departments or Groups
 - due dates,
 - completed assignments,
 - uncompleted assignments

This operational information should be readily available for the Executive Director(s) who would use it in the regular manager meetings with the heads of departments, divisions, and groups

- 8) The Secretariat is not currently prepared to provide public access to information. It is necessary to develop a system of access levels, so the confidential and internal information is singled out. The Commission, through the Secretariat should ensure that the public records are open for examination and inspection by any citizen of Ukraine within reasonable time limits and in an assigned place

US regulatory agencies follow the Right-to-Know Law that provides for open access to the public record. The Right-to-Know Law promotes the concept of transparency that is so important for a democratic state. We believe that the Commission should start thinking about public access to information as a next step of making Commission's role more clear and transparent

3.8 LEGAL DEPARTMENT

Results of our analyses demonstrated that the Legal Department needs to re-organize its activity to improve efficiency. Obviously, attorneys spend substantial amount of time consulting Commission staff. The attorneys are disturbed by many phone calls and walk-ins. Thus, the Legal Department may consider creating a Counseling Group that would provide consulting services while other staff would be able to perform the routine work. The members of the Counseling Group might rotate so one or two persons consult the staff and answer phone calls one day a week. This is a micro-management issue, however, and should be resolved by the manager of Legal Department.

Current working conditions of the Legal Department would not allow for creating the counseling group. Legal Department needs a bigger room and a space for legal documents, files, and books.

It is important that the Legal Department has an access to the legal databases, such as Lega and Pravo established in the Commission. The Legal Department should be networked to the Commission server, so the attorneys could access legal databases from their workstations.

The Department should closely work with the proposed Analytical Division. This is especially important for legislature development activity.

3.8.1 Consumer Affairs Division

We recommend the creation of a Consumer Affairs Division under the Legal Department. This new Division would employ legal and policy experts who would interact directly with existing Local Offices. The role of the Consumer Affairs Division would be to provide general supervision, direction, and support to Local Offices with respect to consumer matters. This division would be the principal advisor to the Commission regarding consumer matters and will maintain statistical information collected from Local Offices regarding customer complaints. This division, primarily through local office personnel, would assist individual customers in resolving their complaints with local licensees.

The Consumer Affairs Division would respond to consumer complaints, provide license-related information to consumers, monitor licensees' compliance with Commission regulations, evaluate energy company performance and monitor their universal service programs. Specialists of the Consumer Affairs Division would provide legal and policy analysis and expertise to assist with resolution of consumer complaints.

This Division should have specialists in law and legal procedures. The Division should keep close contact with various departments and divisions, especially Legal Department.

3.9 DIVISION OF COMPUTERIZATION, COMMUNICATION AND INFORMATION

We recommend creating Division of Computerization, Communication and Information. Many of the NERC organizational problems relate to the failure of the management information system. The information flow, decision making process and management control can be drastically improved by means of information technologies.

There are several major tasks for the Division of Computerization, Communication and Information:

1. Develop and implement on regular basis training programs for the Commissioners and the staff. This work should be done in a close coordination with the Human Resource Division of the General Affairs Department. The Division should conduct on-job training and consulting at request.

We were surprised to know that some of the Commission employees believe that they overwork and use their time inefficiently if they type using word processing capacities. Handwriting is commonly used by most of the managers. Many people reject the idea to learn even basic computer skills because they think that it would not eventually improve their work and it is the business of the Secretariat.

2. Establish and maintain communication network between all organizational units in the headquarters and the Local Offices. Electronic mail could be an appropriate media to improve information flow.

We recommend that the Division of Computerization, Communication and Information take responsibilities providing Local Offices with the Legal and Pravo legal updates via electronic mail. Legal databases would help Local Offices to better deal with the legal problems and complaints. As we know Local Offices are not staffed with the legal advisors.

The other option would be to purchase a Corporate Offices Package of Legal and Pravo databases so the Local Offices would obtain full services as the Kiev headquarters. However, this option might be more expensive.

3. Examine information technology needs of the Commission, develop and implement databases, database access levels, back-up systems for the emergency situations and emergency plan, implement office automation systems to facilitate work of data-intensive departments, update existing computing capacities and software.

3.10 GENERAL AFFAIRS DEPARTMENT

We recommend creating the Human Resource Division and Finance Division, and retain Division of Administration within the General Affairs Department

3 10 1 Human Resource Division

The Human Resource Division would be responsible for managing personnel functions of the Commission. The Division would plan, develop and implement employee relations and personnel development programs, administer programs involving classification, compensation, examination, recruitment, leaves, promotions, staffing, performance evaluation, personnel research and employee services

Commission needs to enhance its human resource management work. Currently Commission does not have a well defined system of professional development and training, including on-the-job training. Current training is reactive rather than proactive. The training is provided when NERC faces a real problem performing its duties rather than when it foresees the problem. Commission does not have a plan that would provide for continuous training as well as a program for anticipated training needs.

It is important for the Commission to find the means to keep the greatest asset it has -- people. Obviously, Commission is not capable of offering highly attractive financial compensation to its employees¹. Thus it should seriously think about other ways to attract, keep and enhance specialists.

The Human Resource Division should develop a personnel strategy under supervision of the Executive Director. This strategy should address the problem of the potential inability of the Commission to compete with the private sector in attracting and keeping highly qualified personnel. One way to attract staff is to empower them. Get people interested in the process of work and the final product. Let employees decide and choose among many options the best way to achieve success. Eliminate the system of micro-management when the department manager checks everything that goes to and out of the department. Make a shift from the system of organizational responsibility to the system of functional responsibility. That is when Division of Gas Supply, for example, would have more authority and responsibility for gas tariff formation than even the Department of Licensing and Pricing head because this issue would be within functional responsibility of the Division of Gas Supply.

Another way to attract and keep workers is to make them proud of what they are doing. National Electricity Regulatory Commission has a distinguished mission of protecting

¹ Cabinet of Ministers Resolution No 977 sets wages for the Chairman and the Commissioners. These wages are relatively low as compared to the private sector. Obviously wages of the staff are even lower. Full text of the Resolution No 977 is attached in Appendix H.

consumer rights and balancing interests of businesses and consumers. People should be reminded that they are doing the right things. It is important to feel that you are doing something good for your people and country.

Even if some of the employees have a feeling of doing the right thing, only few of them perceive themselves as an essential part of the whole Commission. During our analysis, we sensed a great gap between high management and the middle and low level employees. We would recommend conducting staff meetings in addition to the managers meetings. It is important that the staff communicates with the high managers and the Commissioners, knows where Commission is heading, and what problems it faces. People seemed isolated from the overall activity and mission of the Commission. We heard many times employees self-characterize themselves as "small people". The problem of "small people" closely relates to the empowerment issue.

Finally, working conditions are always important for employees. Good working conditions may substantially compensate for lack of financial coverage. The Commission could create a pleasant working atmosphere by properly arranging and equipping individual working places.

It is important that the work of the Human Resource Division be supported by adequate technological means. It is necessary to create an electronic personnel database that would automate the work of the human resource staff and eliminate need for additional workforce. We think that at least three full-time specialists should be assigned to this work, granted that the automation system mentioned above installed.

3 10 2 Finance Division

It is recommended to create the Finance Division that would include current accounting group and a financial analysis group. The Division would advise the Commission on internal financial and budgetary matters.

Currently, the Commission does not have financial experts in budgeting, economic analysis and forecast. There is a need to hire specialists to handle headquarters' finances and the Local Offices' budgets.

Accounting group should start preparing for the implementation of the International Accounting Standards. It is important to develop an extensive training program for all accountants and economists. Human Resource Division should take a lead in administering this training program.

Finance Division should be networked and have appropriate software installed. It is recommended to install similar accounting software packages in all 25 local offices and arrange for electronic transmission of accounting reports.

3 10 3 Division of Administration

The Division of Administration will retain its responsibilities acquisition of office equipment and supplies, office maintenance, cleaning, security, and managing transportation fleet. The Commission is going to have eight or nine vehicles when two new Commissioners join the office. As we understood, cars are assigned to Commissioners and some of the managers. It is seldom that specialists from departments or divisions use vehicles even if cars are available. We recommend that the Commission introduce a "car pool" system when Commissioners as well as managers and specialists can order and use cars. The coordination would be performed by the division head. Priority, of course, should be given to the Chairman and the Commissioners, and a reserve car should always be available. The system of car pool would allocate resources more efficiently.

We believe that it is a wrong practice not to use drivers as couriers. We found out that a simple letter delivery is performed by the Secretariat courier together with the driver. If a letter is not confidential we do not see the need to send two persons to deliver mail.

3 11 DEPARTMENT OF GOVERNMENTAL AND PUBLIC RELATIONS

The Department should be responsible for maintaining and coordinating governmental and public information activities. It should be responsible for explaining NERC's work to the legislature and the executive powers, the general public and the media. We recommend creating two groups for these purposes within the Department: Political Affairs Group and Public Relations and Media Development Group.

3 11 1 Political Affairs Group

The Political Affairs Group should perform a liaison function contacting and preparing information for Parliament members, groups and parties and the executive bodies. Activity of the Political Affairs Group should be coordinated by the Commissioners. This work may include participation in joint events, conferences, meetings, preparing analytical documents for the legislative and executive authorities including information about regulatory development in other countries, recommendations for streamlining regulatory process in Ukraine, etc. It is important that the Political Affairs Group work closely with the Analytical division on developing joint position papers and recommendations.

3 11 2 Public Relations and Media Development Group

The Public Relations and Media Development Group would be responsible for providing timely understandable and accurate information about Commission policies, proceedings and procedures to the media and public. The work should include advising individual consumers and groups on how to participate in Commission proceedings. The Group should also provide

information to the media on Commission activities and help maintain an informed public by providing general and educational information to the media. Unfortunately, educational work is not performed currently at the appropriate level. This may be explained by the low staffing level in the existing Department of Public Relations. Today, the Department of Public Relations has only two employees.

We recommend establishing and maintaining a NERC Web page where the key facts and the most important decisions of the Commission are presented. The Commission should regularly issue printed materials to be distributed in public meetings, hearings, special events. It is also essential that the Department of Governmental and Public Relations is equipped with a VCR and a TV set.

The Department Director should be responsible for developing and carrying out, under the direction of the Chairman and Commissioners, a communication strategy designed to explain the mission of NERC, and how the public can utilize and access NERC, and to provide information with respect to decisions and initiatives of NERC.

The communication strategy should include explaining, by a variety of means, the restructuring of the power sector in Ukraine and the responsibilities and policies of the Commission concerning oil and natural gas regulation. A public communications strategy also requires close coordination between the Commission's Department of Governmental and Public Relations and the Local Offices. The Local Offices, in addition to their other regulatory responsibilities, should perform a liaison function with public and private entities.

The Department of Governmental and Public Relations should be responsible for preparing the Annual Report of the Commission. This work should be done in a close coordination with the Departments and Divisions of NERC.

CHAPTER 4

PLAN FOR STRENGTHENING LOCAL OFFICES

4.1 INTRODUCTION

This paper is the result of study made by Hagler Bailly specialists in the process of the NERC organizational development analyses. The purpose of this work was to determine the general scope of duties of the Local Offices to be performed, to find out which types of activity are not carried out and to advise on how to improve efficiency of Commission's work in regions.

Our team examined documents related to the work of Local Offices, including the NERC Provisions of 1995 and 1998, NERC Regulations for the Local Office, NERC Regulations for the Department of Local Offices, and Regulations for other organizational units at NERC. According to the work plan the staff of the Local Offices Department in Kyiv office and the Local Offices at Cherkasy, Vinnitsa, Chernigiv, Zhitomir and Kyiv were interviewed.

Analysis of these materials enabled us to summarize data representing the current situation and to work out the plan of actions to improve work of the Local Offices. This plan includes recommendations related to the new trends of Commission's work in regions.

There are 25 NERC Local Offices in Ukraine. The total number of employees working in the field is 82 people. There are from 3 to 6 employees in each Local Office. The number of staff depends on the oblast size, number of licensees and subsequently the workload in the Office.

The detailed information about the Local Offices staff including job positions and vacancies is summarized in the Appendix I.

Recently National Electricity Regulatory Commission was assigned responsibilities to regulate oil and gas sectors of Ukraine. These changes require that the organizational structures of both the Local Offices and the Commission are amended to conform to the new tasks and to improve efficiency of the Commission activities.

4 1 1 Current Functions of the Local Offices

The functions and authority were determined by the Commissioners with the assistance of consultants in line with the goals and tasks of the Commission. They were changed several times during the development process of the Commission. Nowadays, the Local Offices perform the following functions

Functions and authority are described below

- ▶ protect rights of electricity customers in relation to electricity supply reliability and quality of services provided by electricity suppliers,
- ▶ participate, within its powers, in open discussions with Licensees, customers and representatives of the public and mass media,
- ▶ organize its operation in such a manner as to meet the needs of customers and electricity suppliers,
- ▶ work with applicants and Licensees according to the Instruction on Procedure for Issuing Licenses on Electricity Generation, Transmission and Supply to Entities Carrying Out Entrepreneurial Activities and by the Conditions and Rules for Carrying Out Licensed Activities,
- ▶ represent interests of residential customers, farmers and small commercial customers at the Commission's meeting when conflict situations between them and Licensees are considered,
- ▶ take part in reviewing License applications and attached materials, develop and submit its proposals to the NERC,
- ▶ analyze drafts of Licensees' long-term and annual financial plans for construction to be financed from depreciation charges and profits
- ▶ develop well-founded proposals and submit them to the Department of Local Offices
- ▶ review proposals, submitted to the Local Office, on changes in tariffs and in calculation methodologies proposed by entrepreneurial entities which generate, transmit and supply electricity, and submit its proposals to the NERC,
- ▶ supervise, within its powers, Licensees' compliance with the Conditions and Rules for Carrying Out Entrepreneurial Activities,

- ▶ supervise Licensees adherence to the Wholesale Electricity Market Rules, provide customers and Licensees' with relevant information, within its powers,
- ▶ monitor other services which are or may be provided by the Licensee,
- ▶ review methodologies for calculating payments for services which are not covered by the tariff and submit its proposals to the NERC,
- ▶ prepare answers, within its powers, to requests of businesses, organizations, Licensees and customers,
- ▶ take part in developing draft resolutions, orders, instructions and other regulations of the NERC,
- ▶ prepare information concerning the Local Office activities for the Department of Local Offices ,
- ▶ supervise Licensees compliance with NERC decisions and meeting the dates within which their violations of the Conditions and Rules for Carrying Out Entrepreneurial Activities must be removed,
- ▶ submit its proposals as to the expense budget of the Local Office,
- ▶ review customer complaints and proposals related to quality of electricity supply and suppliers as well as other issues the settlement of which falls within the Licensees' competence,
- ▶ investigate violations of the Conditions and Rules for Carrying Out Entrepreneurial Activities and refer to the NERC the investigation materials and its findings,
- ▶ process data as to economic efficiency of Licensees activities based on Licensees reports and submit its findings to the NERC,
- ▶ collect, analyze and submit to the NERC the proposals of customers Licensees, local authorities and the public in respect to improvements in the Licensee customer relationship regulation mechanism,
- ▶ provide public executive agencies and entrepreneurial entities with explanations on issues within its competence,
- ▶ negotiate with the Licensees the feasibility of inclusion of any objects into capital construction plans taking into account electric network patterns and their technical

conditions, the progress of their expansion and utilization of capital construction funds during the previous accounting period

4 1 2 Current Authority of the Local Offices

According to these functions the Local Offices were rendered the following authority

- ▶ inspect the Licensed activities carried out by the Licensees,
- ▶ send written notifications to Licensees about specific violations of the Conditions and Rules for Carrying Out Entrepreneurial Activities,
- ▶ request and obtain relevant information from applicants and Licensees carrying out entrepreneurial activities in electricity generation, transmission and supply,
- ▶ submit for NERC consideration its findings related to infringement of Licenses and non-compliance with NERC resolutions,
- ▶ set the terms within which the Licensees must eliminate their violations,
- ▶ review customer complaints and proposals and respond to them within its competence,
- ▶ respond to requests of customers, Licensees and other applicants within its competence,
- ▶ refer to the NERC any such requests and complaints of customers, Licensees, public executive agencies, enterprises, institutions and other organizations which fall out of its competence,
- ▶ organize, conduct or participate in meetings with representatives of public administration bodies and local authorities so as to establish efficient business contacts and relations,
- ▶ perform its financial and operational activities in compliance with the expense budget approved by the NERC Chairman To carry out such activities, the Local Office shall have the right to open sub-accounts at its location and have its own seal and stamp,
- ▶ sign premises tenancy agreements, lease contracts for motor transport, office equipment, communication facilities and their respective service contracts as well as watchman service contracts if such expenditures are financed from the expense budget of the Local Office,
- ▶ agree calculations, made by the Licensees according to methodologies and regulations, approved by the NERC,

- ▶ the Head of the Local Office shall have the authority to sign the Local Office produced documents on issues within its competence,
- ▶ the Head of the Local Office shall have the right to represent the NERC, according to the prescribed procedure, at his/her meetings with customers, Licensees, representatives of local authorities on customer rights protection issues,
- ▶ the Local Office staff shall have the right to go on business trips so as to resolve any issues arising from the tasks imposed on the Local Office The Head of the Local Office shall give permissions in respect to business trips

4 2 ACTION PLAN

4 2 1 Enhance Local Offices' Public Information Activity

Public relations work is an important task assigned to the Local Offices Local Office activity will increase over time because of additional duties concerning oil and natural gas regulation It is important to maintain public awareness and to get public understanding and support of restructuring of the power sector

Local Offices are not staffed with media and public relations specialists Moreover, the NERC Division of Governmental and Public Relations is understaffed and is not quite able to enhance this activity effectively Therefore, recommendation to enhance local offices relates both to the local offices and to the Division of Governmental and Public Relations

One way to promote public relations activity in the Local Offices is to provide them with timely information about the Commission's policy and decisions It is important that the Local Offices understand regulatory policy of the Commission and communicate it to the licensees and the public

4 2 2 Combine Department of Local Offices and Department of Licensing and Pricing

We recommend the subordination of the Department of Local Offices under the Department of Licensing and Pricing

In the process of decision making the employees of the Local Offices need advice of the specialists from various departments of the Central Office Most of these issues are related to tariff calculation methodology and licensing which are in the area of responsibility of the

Department of Licensing and Pricing Meanwhile, communication flow goes through Local Offices Department

In most cases this pattern of communication flow delays solution of important questions Subordination of the Department of Local Offices under the Department of Licensing and Pricing and consequent subordination of the Local Offices to the Department of Licensing and Pricing could considerably facilitate decision making process and save work time

This reorganization would allow the main office staff and the Local Offices staff to work in a team and would enable them to avoid miscommunication The reasoning behind this argument is that the Local Offices would not need to contact the Department of Local Offices to get professional advice from the Department of Licensing and Pricing On the other hand, the Department of Licensing and Pricing would stop referring the Local Offices to the Department of Local Offices every time they contact the Department

We understand that functional change could be performed without organizational change However, the existing organizational culture in the Commission prevents the implementation of any functional inventions without official organizational change

Recommendations

We would propose the following functional changes of the Department of Local Offices in line with the structural changes

- ◆ The Local Offices Division would supervise and coordinate the Local Offices activities The Local Offices would submit the reports related to their functional issues to the Local Offices Division
- ◆ The Local Offices Division would provide informational and administrative assistance to the Local Offices including sending them all necessary documents and materials dealing with the Commission activities
- ◆ The Local Offices Division, together with the Department of Human Resources, should develop training programs, conduct seminars and workshops for the Local Offices staff In order to upgrade the efficiency of this work the Division of Local Offices should identify the main tasks of these workshops, prepare all necessary materials and documents to be used during the training and distribute the materials for preliminary overview
- ◆ The Division of Local Offices together with the Division of Computerization Communication and Information should provide technical assistance to the Local Offices

4.2.3 Enhance Communication Capacities for Local Offices

After visiting Vinnitsa, Zhitomir, Cherkassy and Chernigiv Local Offices we could see that the Commission Local Offices in the oblasts were equipped with appropriate computer hardware and other office equipment. However, computer capacities are not used enough. Typewriters are frequently preferred to the computer word processing.

The Local Offices and the NERC headquarters have a continuous communication problems because of low-quality phone channels. The situation could be improved, however, if an electronic mail system were used in addition to the currently practiced phone and facsimile communication. Well established communication system with the Commission's headquarters and other Local Offices could facilitate communication of employees, make the process of receiving information faster and enable Local Offices' employees to solve a lot of problems at the local level. The e-mail communication could be used, for instance, to transmit financial reports from all 25 Local Offices to the Commission. Moreover, work documents, including legal documents from the Liga and Pravo databases could be electronically transferred from the headquarters to the Local Offices.

One of the Local Offices' problems relates to the legal aspects of work. Local Offices are not staffed with the attorneys. Therefore they quite often need to communicate with the lawyers working in the Central Office. Sometimes, however, even overview of the latest Presidential Decrees, the Cabinet of Ministers Resolutions as well as the NERC Resolutions facilitates and simplifies finding the solution. That is why it is essential for the Local Offices to maintain database on legal issues. We recommend that the Local Offices are provided with the legal databases Liga and Pravo, and their current updates.

Access to the Internet would give access for the Commission's employees to the latest information on activity of foreign regulatory bodies and learn from their experience about tariff setting issues and trends of regulatory policy in general. Access to the Internet could be especially useful if the headquarters opens its web page and place.

Recommendations

The Central Office should support the Local Offices with the following

- ◆ install electronic mail communication system,
- ◆ develop training program and conduct relevant seminars to increase the level of computer skills for the Local Offices staff,

- ◆ update the Liga and Pravo databases regularly so the Local Offices have the latest decrees, resolutions, etc

This work should be managed by the Division of Local Offices in close coordination with the Human Resource Division, the Division of Computerization, Communication and Information, the Department of Licensing and Pricing, and the Legal Department

When formal complaints are submitted to the Local Offices the staff may contact the Legal Department if it can not process them internally We would propose the creation of the Customer Affairs Division within the Legal Department, to be a primary legal contact within the Legal Department on consumer matters

This particular Division would closely cooperate with the Local Offices The specialists from this Division would collect information and data submitted by the Local Offices After they had analyzed this information they would present the results to the Division of Local Offices

4.2.4 Increase Authority and Responsibility of Local Offices

The Local Offices duties include inspection and control over the Licensees activities In case of violations of the License Rules and Conditions the Commission Representatives in Oblast should have enough power to influence its Licensees

At present the Local Offices Staff detects violations and informs the Central Office in Kyiv The current procedure of official warnings is rather long and is not always effective We heard reiterated complaints from the Local Offices staff on that matter Local Offices staff asked to get more authority to enforce their requirements and to eliminate violations

Recommendations

- ◆ We suggest that the Commission could enhance authority of the Commission in oblasts by giving Local Offices the right to impose administrative fines on a licensee in case of continuous violations of the License Conditions It would help the Local Offices to control licensees activity and to minimize the number of violations

Currently Local Offices staff as well as the Commission staff does not have the authority to impose administrative fines on Licensee However the Commission may want to investigate this issue as part of the prospective legislative recommendations

4 2 5 Retain 25 Local Offices

After finishing the first level of Analysis (the High-Level Management Analysis) a new Organizational Chart was presented to the Commissioners' attention. We proposed to make a detailed analysis as to merging 25 Local Offices into 5 Regional Offices.

One of the reasons to suggest this measure was related to the financial condition of the Commission. Representatives of the Local Offices often touched the question of insufficient financing of the Local Offices. Thus, we came with an idea to investigate if a smaller amount of Local Offices would better meet financial and functional requirements of the Commission.

Another reason for suggesting this measure was based on the idea that smaller amount of organizational units in oblasts would require less communication and coordination effort. Finally, our argument was that 5 Regional Offices would be better staffed and financed and they could take substantial workload off the Commission's shoulders.

We conducted an extensive analysis in order to eventually accept or reject the preliminary idea of creating 5 Regional Offices instead of 25 Local Offices. The analysis included several criteria: (1) economic feasibility, (2) social and political acceptance, (3) organizational and management feasibility.

Economic Feasibility

The budget of a Local Office is rather small. According to a quarterly budget of expenditures \$75-\$150 are allocated for business trips, that is \$25-50 per month, depending on a particular oblast. An average number of Local Office employees is 4 people, so each can afford approximately \$6-\$8 UAH per month for business trips. Daily allowance is about \$2-3. Appropriated expenses for renting cars equal \$250-\$450 per quarter, that is \$80-\$150 per month. The transportation cost is about \$ 30 per km.

The objective of our economic analysis was to determine whether it would be less expensive for the Commission to support 5 Regional Offices versus 25 Local Offices. We decided to compare expenses of five Local Offices in order to make an estimation as to the 25 offices. We selected five Local Offices in Western Ukraine for the analysis.

We used actual expense items and numbers for the Zakarpattia, Ivano-Frankivsk, Lviv, Ternopil and Chernivtsy Local Offices. The data was taken from the 1998 quarterly budget for the Local Offices. The only change was made in the Office Rent expense item. It is assumed that the office rent expenses will increase to \$1000 per quarter. The total expenses to support operation of 5 Local Offices amounted to \$9,143 per quarter (see Appendix J for Overall Expenses).

We assumed that the Regional Office would be located in Ivano-Frankivsk oblast as it borders all other four oblasts (see Appendix J for map of Ukraine) We also assumed that the total number of employees would remain the same, therefore wage expenses were not considered In order to come up with the Regional Office expenses we used the highest item costs and multiplied them by five "Other" item expenses remained the same That gave us a conservative estimation of the Regional Office expenses

An exception was made for Transportation Rent and Postal expenses We conducted a separate analysis to come up with transportation expenses for Regional Office We used appropriated transportation rent funds and the transportation rate \$0.30/km to determine number of kilometers that each Local Office could travel Then we identified cities in each oblast that could be visited/inspected by offices A reverse process was used to figure out how much would the Regional Office spend to visit the same cities from Ivano-Frankivsk It turned out that transportation expenses for Regional Office would be 2.5 times higher than for 5 Local Offices (see Appendix J for Business Trip Expenses) The same index (2.5) was used to estimate postal expenses for the Regional Office

The overall expenses for the Regional Office amounted to \$12,280 or 34% higher than expenses for 5 Local Offices We assume that the expenses of other 4 Regional Offices would increase at about the same rate

The analysis was based on the tangible costs associated with the operation and maintenance of the offices The total amount will substantially increase if we take into account hidden costs associated with training of the new personnel in the Regional Offices and organizational and management expenses to be spent for restructuring

Thus the results of our economic feasibility analysis demonstrate that in the short run it would be less expensive for NERC to keep 25 Local Offices than to combine them into 5 Regional Offices

Social and Political Acceptance

Local Offices have been working for more than three years in the fields The staff managed to create professional and personal relations with different institutions and Licensees working in the wholesale electricity market With the lapse of time the authority of the Local Offices considerably increased and that greatly simplifies settling numerous problems and makes Commission's regulatory role more pronounced

We believe that merging 25 Local Offices into 5 Regional Offices would result in loosening of contacts with local administrative bodies and downgrade Commission's control over activity of Licensees It would be politically difficult for the Regional Oblast located in one oblast to effectively regulate entities and coordinate with local authorities located in other administrative unit (oblast)

Organizational and Management Feasibility

It would be organizationally difficult for the Commission to arrange for closing existing offices, selling property, leasing or buying new premises, firing personnel and hiring new staff in a short period of time. It would be also burdensome from the management viewpoint to develop a reorganization plan, to re-assign workload to the Regional Offices, to develop new tasks and responsibilities, to provide for financial support, to prepare new job descriptions, etc.

Additional manpower and an extra efforts would be required to accomplish this work. Currently, the Commission is understaffed and financially restrained. Thus, the "regionalization" option is not acceptable from the organizational and managerial point of view in the short run. In the long run, however, regionalization would allow to shift substantial workload from the headquarters to the regional offices, because the regional offices would be better staffed in terms of number of specialists, including electricity, oil, gas, legal, consumer protection, license compliance and public relation activity. Eventually, they would be able to assess from a regulatory standpoint conditions and situations which are special to region and to respond with expert skills.

Recommendation

- ◆ The results of our analysis demonstrated that today Commission would be better off in the short run retaining 25 Local Offices in each oblast although there are strong incentives for the Commission to have larger representation in the regions in future.

4.2.6 Provide for More Financial Flexibility to Local Offices

The budget of the Local Office is drawn by its chief accountant proceeding from items of expenditures once a quarter.

After finalizing and approving it by the head of the Local Office the budget is passed to the Central Office for examination by the representatives of the Local Offices Department.

According to Local Office's quarterly budget the Local Office staff can spend funds which correspond to items of expenditures. Violations of the by-item-expenditure rule result in penalties on the part of the Commission. The Local Offices however sometimes find it necessary to save funds on a particular item and use them for other needs.

Recommendation

- ◆ We think that the Commission should eliminate the system of micro-management and allow the Local Offices more flexibility in using their budgets. The Local Offices should be given the right to spend funds according to their needs and as

required to transfer the remained funds from one item of expenditure to another
The total expenditure amount, however, should not be larger than the one
appropriated

4 2 7 Staff Local Offices with Gas and Oil Specialists

According to the new tasks assigned the Commission will regulate oil and gas sectors within the scope of its responsibility It is important that the Local Offices are staffed with the oil and gas specialists

Recommendation

- ◆ Thus we recommend the start of the hiring process for the Local Offices It is also recommended to conduct a preliminary study as to the number of potential licensees and the potential work load for the Local Offices

CHAPTER 5 BUDGET AND STAFFING LEVELS

5 1 NERC BUDGET

The NERC budget for 1997 amounted to \$2,023,172 according to the 1997 Annual Report. The Commission was financed at the expense of license fees paid by licensees according to the Cabinet of Ministers' Resolution #516 of July 13, 1995. The current fee was charged under the Regulation for charging fees for issuing licenses for electricity production, transmission and supply. The rate base was set according to 1MW of installed capacity and one thousand kWh of electricity produced, transmitted and supplied by licensees.

The main expense items were as follows:

1	Heavy Repair of Offices	\$440,860	22%
2	Equipment and Office Supplies	\$325,215	16%
3	Office Maintenance Motor Transport In-house Costs	\$212,473	11%
4	Wages	\$415,108	21%
5	Taxes	\$446,452	22%
6	Traveling Costs	\$30,108	1%
7	Other Costs	\$152,957	7%

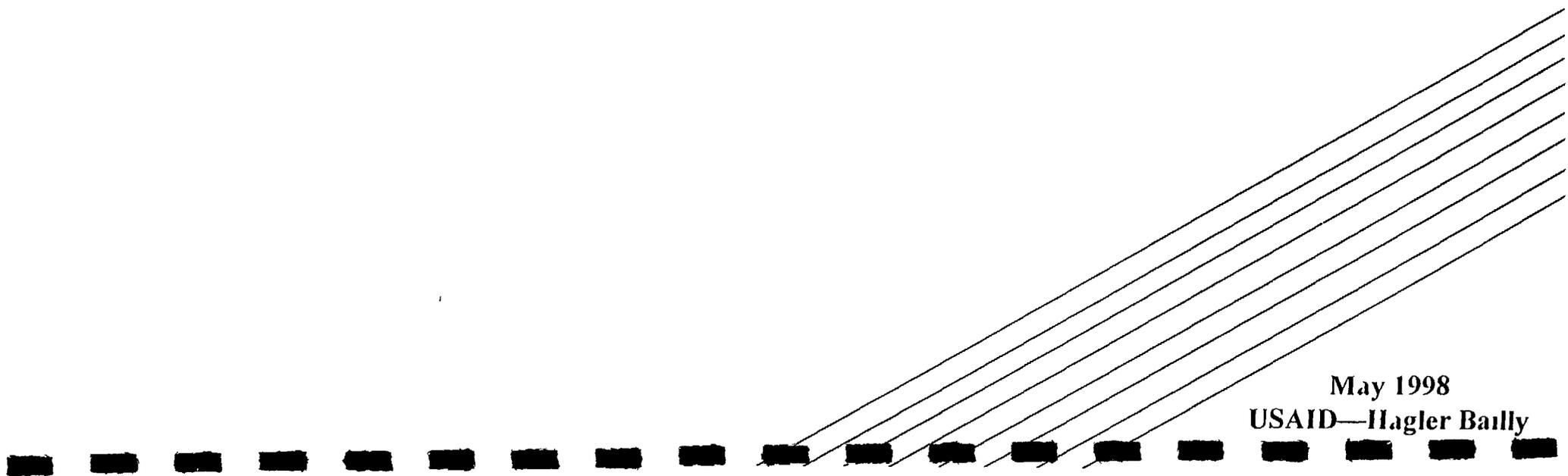
5 2 US COMMISSION BUDGETS AND STAFFING LEVELS

In the Appendices K and L we suggest budget and staffing level data for the US Regulatory Commissions including Kentucky Public Service Commission, Pennsylvania Public Utility Commission, and Texas public Utility Commission in 1993. This data could be helpful to the NERC to compare with the current Commission expenses (percentage of total expenses). We also attached information about Federal and State officials and staff of those Commissions and the Federal Energy Regulatory Commission.

Ukraine

National Energy Regulatory Commission

Organizational Change Recommendations



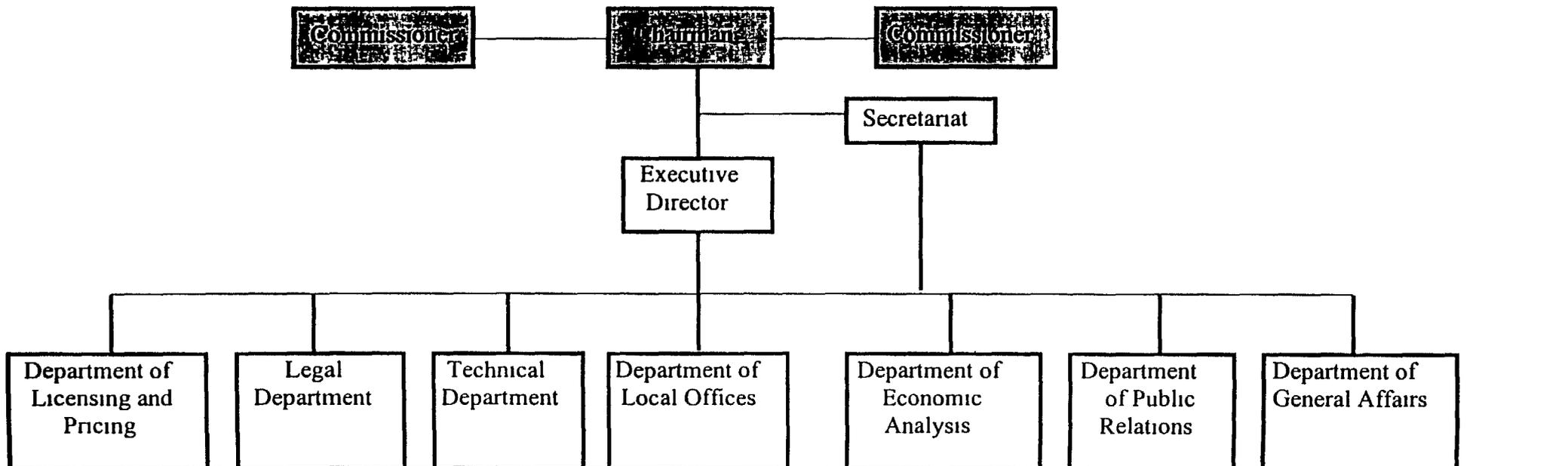
May 1998
USAID—Hagler Bailly

Introduction

The organization charts that follow this write-up are based on very brief interviews with Department Heads and others within the NERC organization. Because of the short time allowed to do the analysis and design work many areas of the NERC organization were not reviewed and therefore might be missed in the organization charts attached. It should also be noted that there was no time available to review the suggested design with the individual Department Heads. Therefore, changes or ideas that might improve the design have not been incorporated into the following recommendations. In addition, this report does not attempt to deal with staffing levels below the Executive Director level. Future work targeted to the actual work processes themselves would help answer this and other important questions.

Background

Currently NERC is organized and staffed to handle the regulation of electricity generation, transmission and supply. By Presidential Decree NERC has very recently taken on the additional role of regulation of transmission and supply of natural gas, oil and oil products. The current NERC organization chart shown below indicates that the Chairman of the Commission has two direct reports (Executive Director and the Secretariat). In reality all of the Department Heads have some reporting relationship with the Chairman. This effectively means that the Chairman of the Ukraine Energy Regulatory Commission has eleven (11) direct reports including the Chairman's Assistant.



Structure

Reporting Levels

The suggested organization reduces the number of direct reports to the Chairman from eleven (11) to four (4), three Executive Directors and the Head of the Office of Governmental and Public Relations. This change allows the Chairman to more effectively manage the NERC organization at the strategic and policy level.

The suggested organizational changes also increase the span of control for the new Executive Directors. Instead of eight (8) Department heads there are now three (3) Executive Directors with twelve (12) groups reporting to them. This organization change allows the Commissioners to more effectively meet with and set policy for the three Executive Directors instead of eight Department Heads. Combining the top management into three Executive Directors enhances the ability of these top managers to meet and collectively manage the work and the information flows of the organization. Currently there is no formal reporting relationship between the other Commissioners and the staffs. However, it is clear that there is an informal line of authority between Commissioners and certain departments. The suggested organization recommends formalizing the oversight responsibility so that lines of authority and communication become more clearly understood.

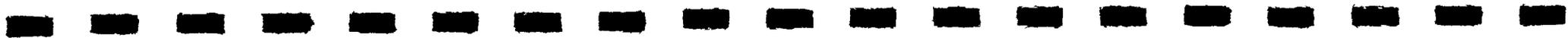
NERC has responsibility not only for regulation but also for creating and continuing the public's belief in the regulatory process. Since most customers never contact NERC directly their only understanding of the regulatory process and the tariffs that result from that process is through the mass media. Therefore, it is necessary for the long-term belief in and success of the regulatory process that the Governmental and Public Relations work be expanded and enhanced. The recommended organization now shows that Office expanded and reporting directly to the Chairman of the Commission.

Currently NERC has 25 Local Offices staffed to oversee the inspection, enforcement and complaints at the Oblast level. One of the real problems faced by the Local Offices is the lack of resources and trained staff. In the suggested organization it is recommended that NERC regionalize the Local Office work. By reducing the fully staffed offices from 25 to 5 NERC will be better able to staff and support the work done in the field. Whether or not there would still be a need to minimally staff (1-2 people) local offices is not answered in this report. However, NERC should consider the future option of allowing the Regional Offices to set tariffs, handle licensee issues and customer complaints as the first line of the regulatory process. This recommended organizational structure allows NERC to move in that future direction if it so desires.

Work Flow

Incoming Documents

Based on the interviews held with the Department Heads it is clear that the flow of work within the organization is not optimal. For example all the mail received by the Commission goes first to the Secretariat for logging in then all letters or documents that require response by the Commission are then sent to the Chairman for assignment to the appropriate department. This process is slow and puts an unnecessary workload on the Chairman. The process should be changed to allow the Secretariat to distribute the documents to the appropriate Executive Director for work assignment.



APPENDIX A

The existing incoming document process also puts the responsibility for timely completion of document review on the Secretariat, not the department that is assigned the work. This process should be changed. The Secretariat should report to the Commissioners which documents have been received and those that have and have not been processed in a timely manner and the departments responsible for the performance. This puts the responsibility for timely document processing in the department assigned the work.

Work Assignment & Delegation

It is clear that work assignments and delegation of incoming work is poorly coordinated and not fully understood by Department Heads or their staffs. Work can come from almost any Commissioner, Department, Chairman's Assistant, Executive Director or the Secretariat. This lack of procedure leads to work priority conflict and waiting for work to get done. It also causes and sustains the belief that some Departments have less work than others do. This is expressed as a "fairness" issue. The suggested organization offers the option of having all work assigned and coordinated by the Executive Directors. As shown in the organization chart the Office of Consumer Affairs and the Office of Commercialization and Privatization would be directed by the Commissioner in charge of that group. All other Commissioners would have assigned areas of "knowledge and expertise" but would not be assigning or managing work directly. The assignment and management of work would be the sole responsibility of the Executive Directors.

Because of its unique status under Ukrainian law the Legal Affairs Department must have direct reporting authority to the Chairman. The suggested organization chart shows this as a dotted line. However, since the work of the Legal Department is of an important nature to the whole organization it will report to one Commissioner that is responsible for all legal issues. The organization chart shows that the Legal Affairs Department also has dotted line reporting to the Commissioners for Gas and Electric Regulation. Future work targeted to analyzing the actual work of the Legal Department might suggest that most of the legal staff be assigned to the Departments who request most of the legal work.

Future Organization Possibilities

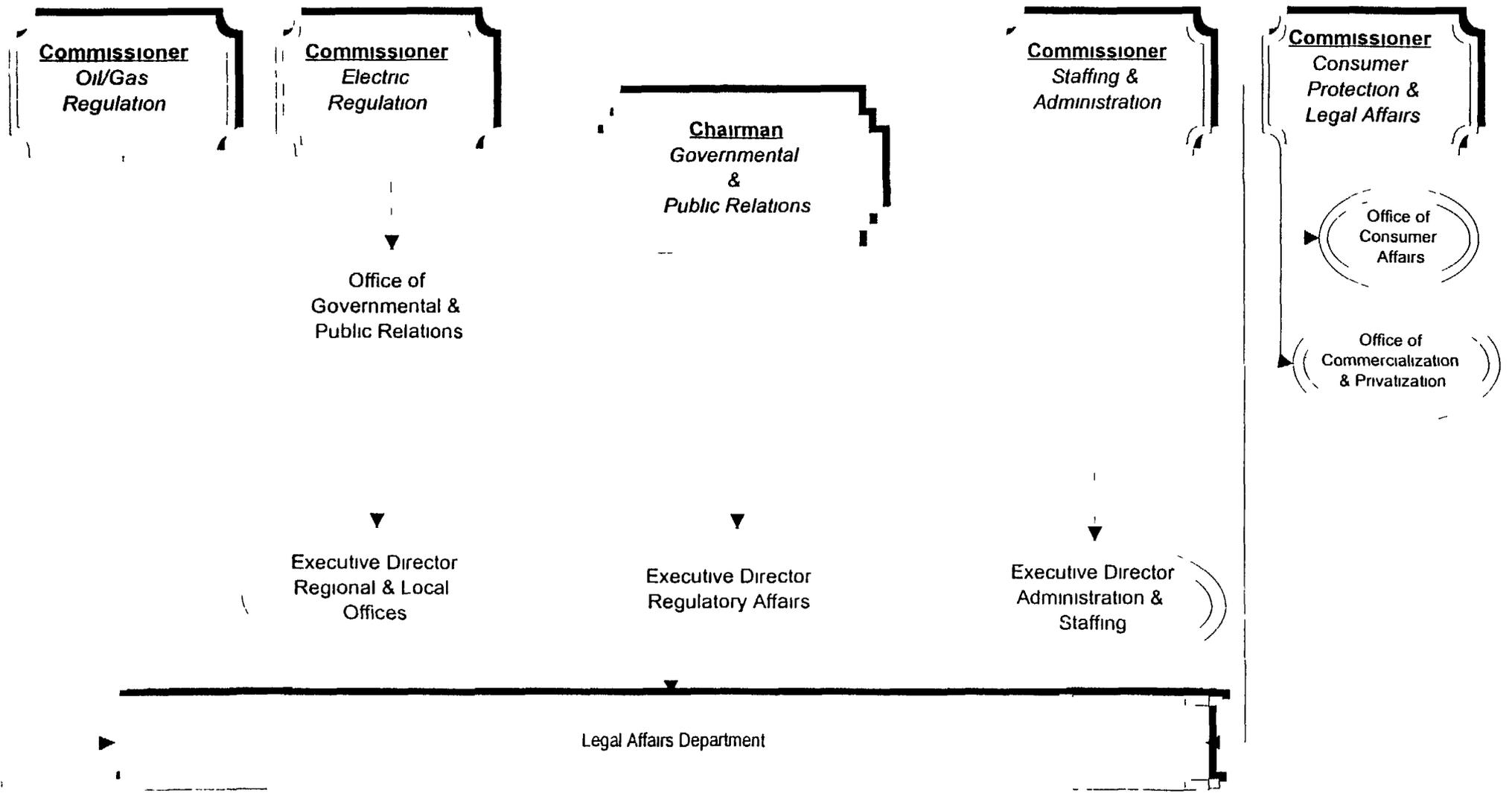
At the end of this report is an example of an organization arranged along business processes. It is clear that NERC could be divided into very distinct processes or work groups that would be responsible for a whole section of the work. Those units whose work crosses all process boundaries, i.e. Legal, Human Resources and Accounting would be arrayed in a supporting alignment. To pursue this type of organization would require much more time and analysis than has been available to date.

Appendix

The appendix contains the notes on the major problems and issues expressed by the NERC staff people interviewed. In reading these comments one should note that many of these issues were repeated by more than one person. These appear to be major issues that hamper the operation of NERC in fulfilling its obligations to the government and the people of Ukraine. Time did not permit a thorough analysis of the causes and therefore, recommendations on how to deal with these problems is not part of this report.

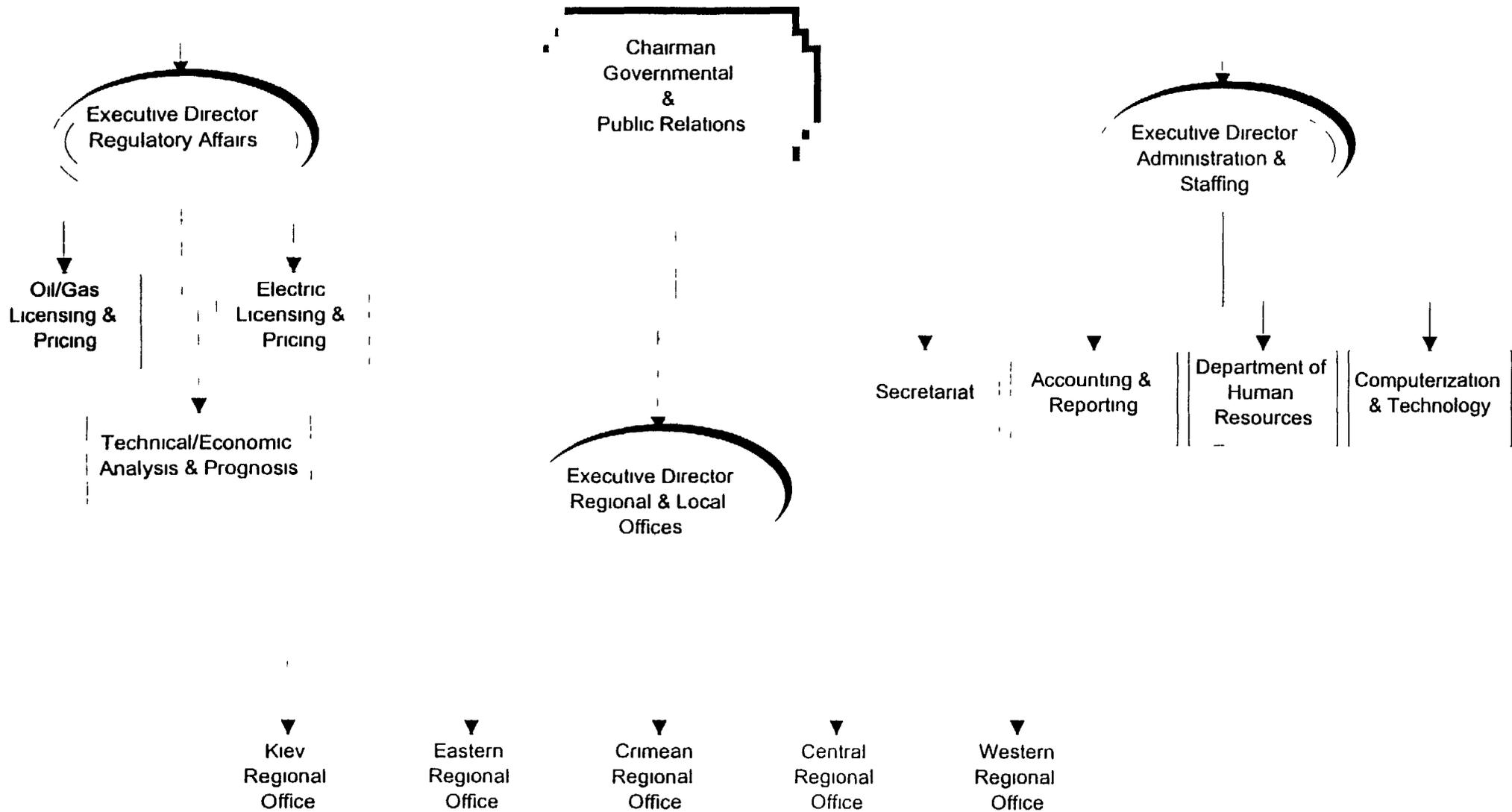
APPENDIX A

Commissioner Level Organization



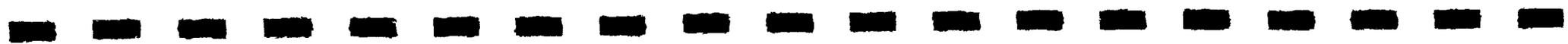
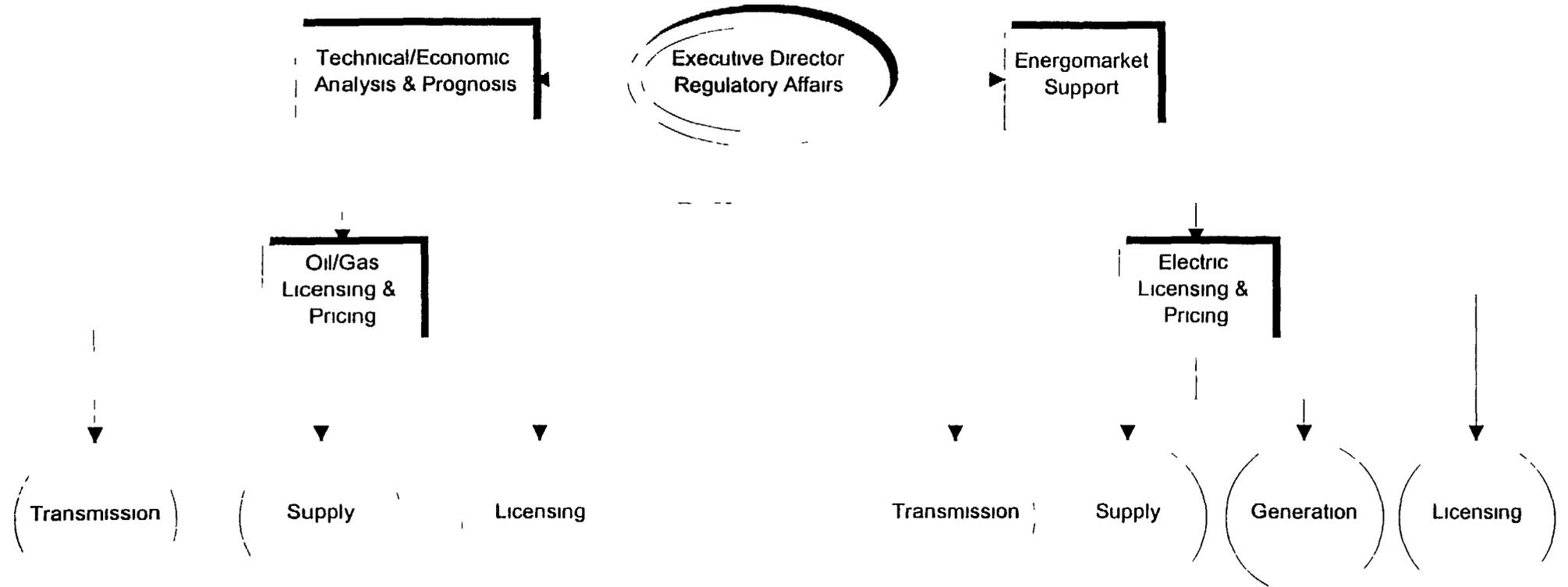
Executive Director Level Organization

APPENDIX A

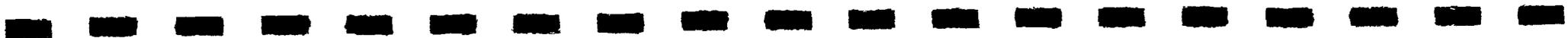
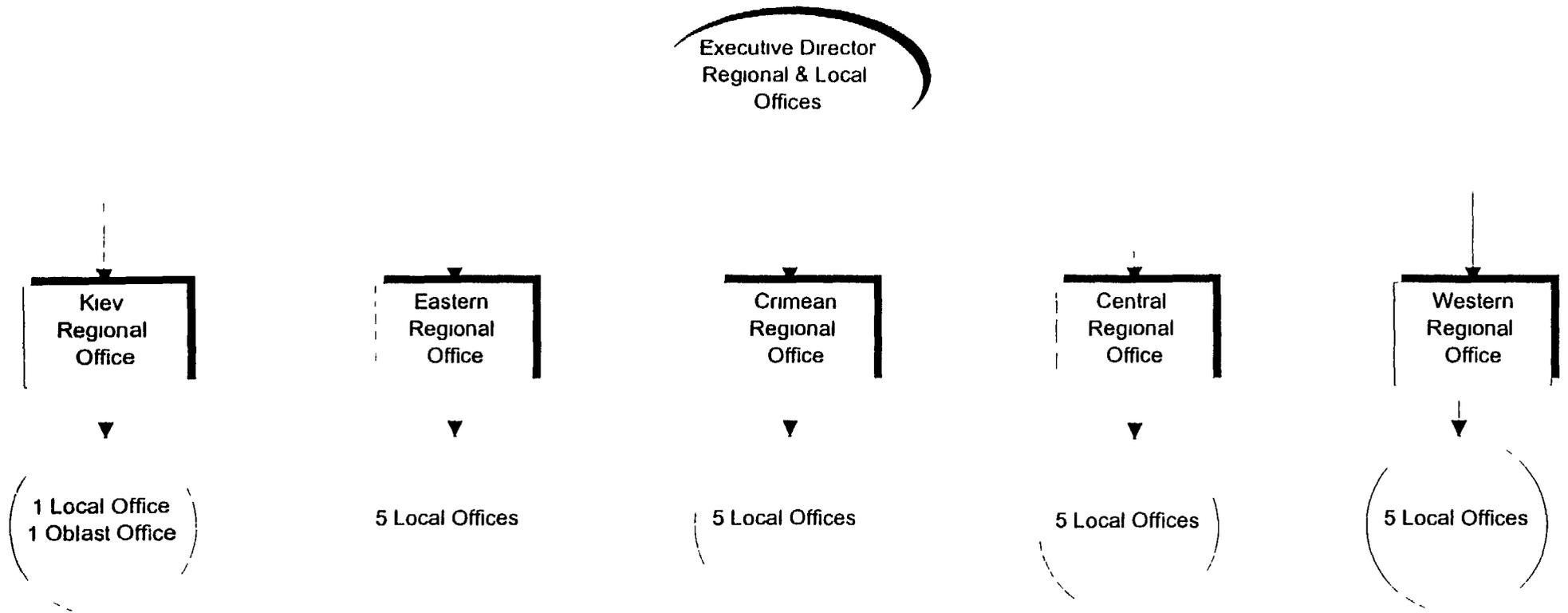


Executive Director-Regulatory Affairs Organization

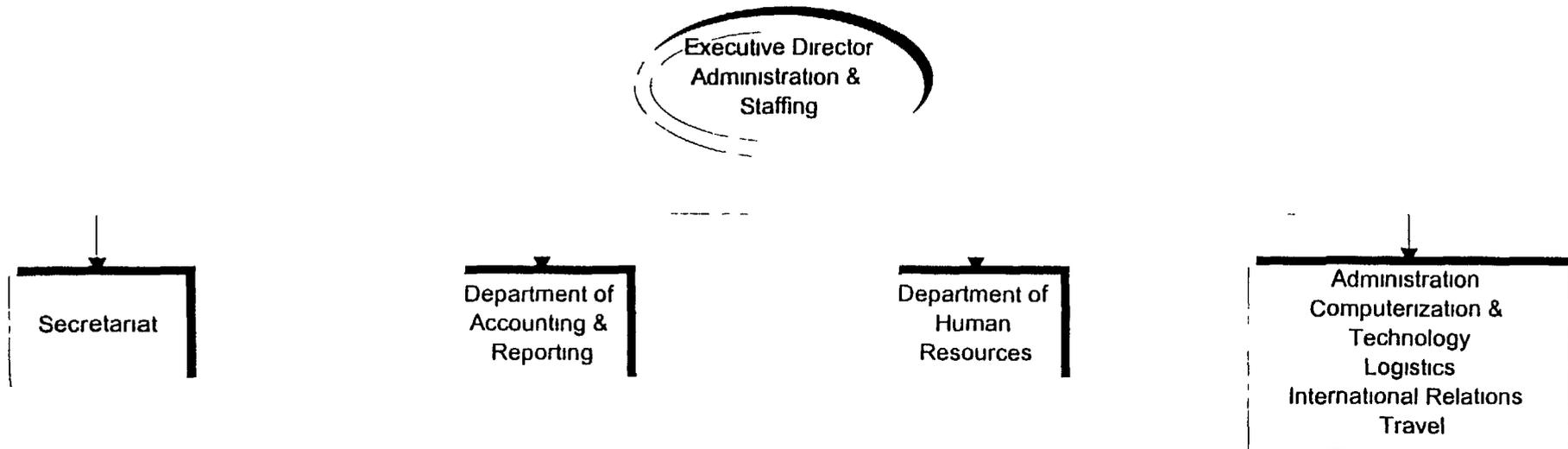
APPENDIX A



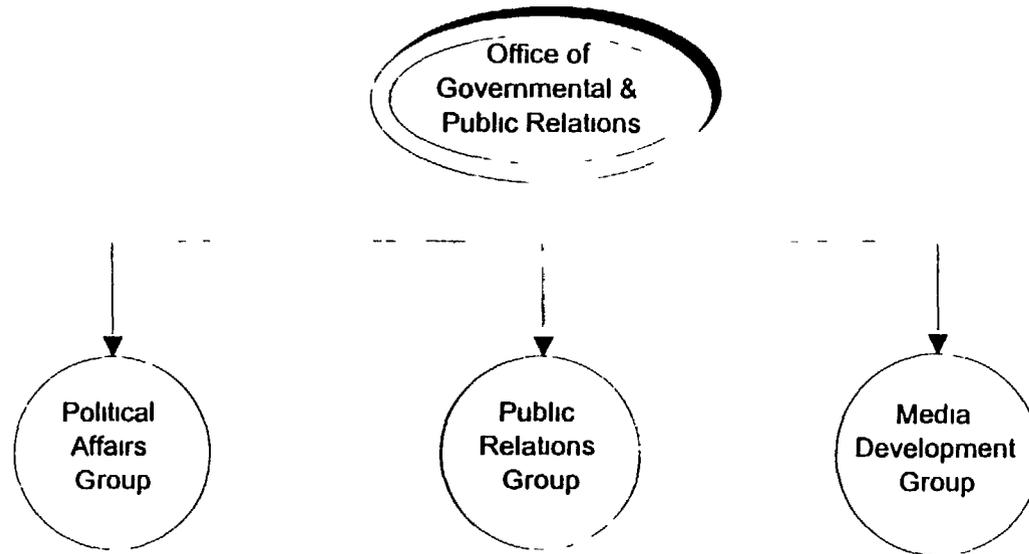
Executive Director-Regional & Local Offices Organization APPENDIX A



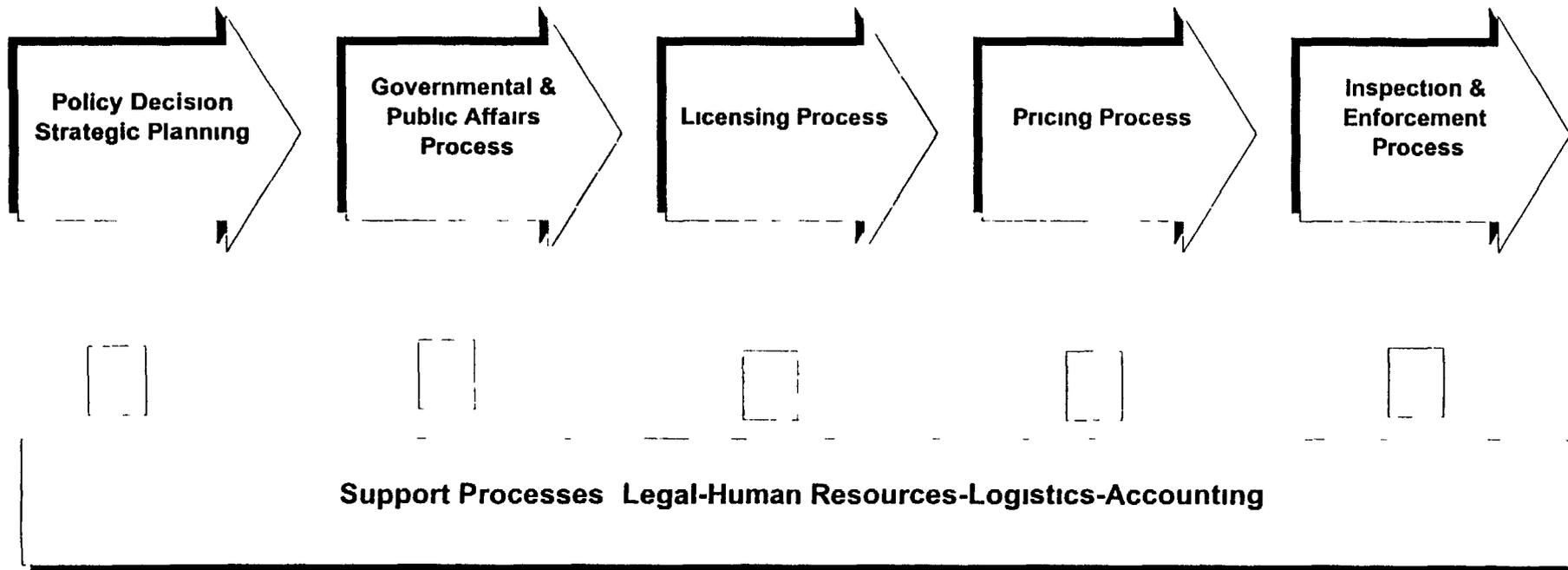
Executive Director-Administration & Staffing Organization



Office of Governmental & Public Relations Organization



Organization by Business Processes

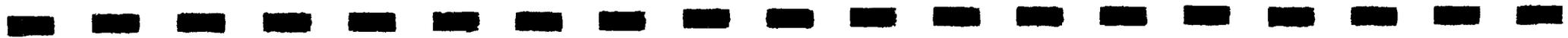


NERC Organization Snapshot

Model Area	Issues	Design Options
External Issues	<ul style="list-style-type: none"> • Minenergo may organize into fuel groups 	
Principles of Leadership		
Mission Strategy	<ul style="list-style-type: none"> • Regulatory body for Energomarket and in future oil and gas • No written strategy or mission 	
Guiding Principles		
Customer Focus	<ul style="list-style-type: none"> • Need for Consumer Rights felt at all levels • Little or no understanding of who is the customer 	
Goals & Objectives	<ul style="list-style-type: none"> • Goals are set by department but appear to have little connection to other departments goals or those of the Commission as a whole 	
Work Process	<ul style="list-style-type: none"> • Management of licensing and pricing functions take up 80% of time • Licensing and pricing tasks are very complex with many facts and figures • Incoming Document flow falls into one of three types <ul style="list-style-type: none"> ✧ Incoming that is directly related to the work of NERC ✧ Incoming that is gov't decrees, etc ✧ Incoming that arrives at NERC is not normally their work but has been assigned by some higher level and NERC is required to respond • Work is often duplicated • There is a lot of waiting after the work is done for other departments to approve the completed work • Work not distributed evenly within the organization and there is no written procedure for work distribution • 90% of the work should be done at the Local office level • Staffing levels too low • Budgets too low to support work requirements • Work is more reactive than proactive in nature • Work of the different departments is poorly coordinated which leads to inefficiencies • 90% of the letters and complaints ultimately involve the Licensing and Pricing Department • Lack of cost allocation procedure • Licensing process needs to be computerized to eliminate unnecessary paper work • No written process for document handling or archiving • No procedure for sending issues back to the Local Offices for review if they first come to Kiev • Local Office Head rarely has time to visit outlying offices Has only been to 50% 	

APPENDIX A

Model Area	Issues	Design Options
<p>Structural</p>	<ul style="list-style-type: none"> • Licensing department has two groups, Energy Supply & Energy Transmission both deal with licensing and pricing in their own areas • Should the Energy Supply and Energy Transmission groups under licensing be separate or together • 27 Local offices that add to the complexity • Link between Kiev and Local Offices not clear • Technical and Legal seem to be OK • May need lawyers to support local gas issues • How do the Commissioners work with the departments Now there is little direction or regulation of how work from the Commissioners gets assigned to the departments • Executive Director is the overall manager in name only He is bypassed by the Commissioners is assigning work to be done this diminishes his role • It is clear that the Executive Director is responsible for administrative issue • Many functions taken by the Commissioners as their work • Executive Director has lots of work and no subordinates to help • Executive Director job should be more external focused, not internal as now • Chairman of the Commission is ranked too low Should be at the Minister level in the government • Technical work conditions are very poor • Not enough space • No one Commissioner is responsible for Customer Rights issues • Local Offices should 'cross check' each other to reduce the possibility of influence or local pressure • Computers need to be networked 	<ul style="list-style-type: none"> • Break into Gas & Electric groups • Organize around Functional groups with Gas & Electric subgroups • Could put lawyers into the Core Process instead of a single function
<p>Information & Decision Making</p>	<ul style="list-style-type: none"> • How is policy set from Kiev and followed in the Local Offices • At the Commissioner level the decision making process is very clear we vote • Documents that initiate a vote are vulnerable to influence by those that prepare them • Lack of clarity on how information is gathered and disseminated • Commissioners are not as objective in their decision making due to time constraints • 25 Local offices have almost no power to deal with local issues • Decision making is still held at the top of the organization Concentrated at the Commissioner level • Decisions made are often not communicated in a timely manner • Difficult and time consuming to gain consensus among the departments and Commissioners • Hard to know what is going on in other departments • No written policy on what is confidential information or how to handle it • Poorly defined laws and regulations make decision making time consuming and difficult 	



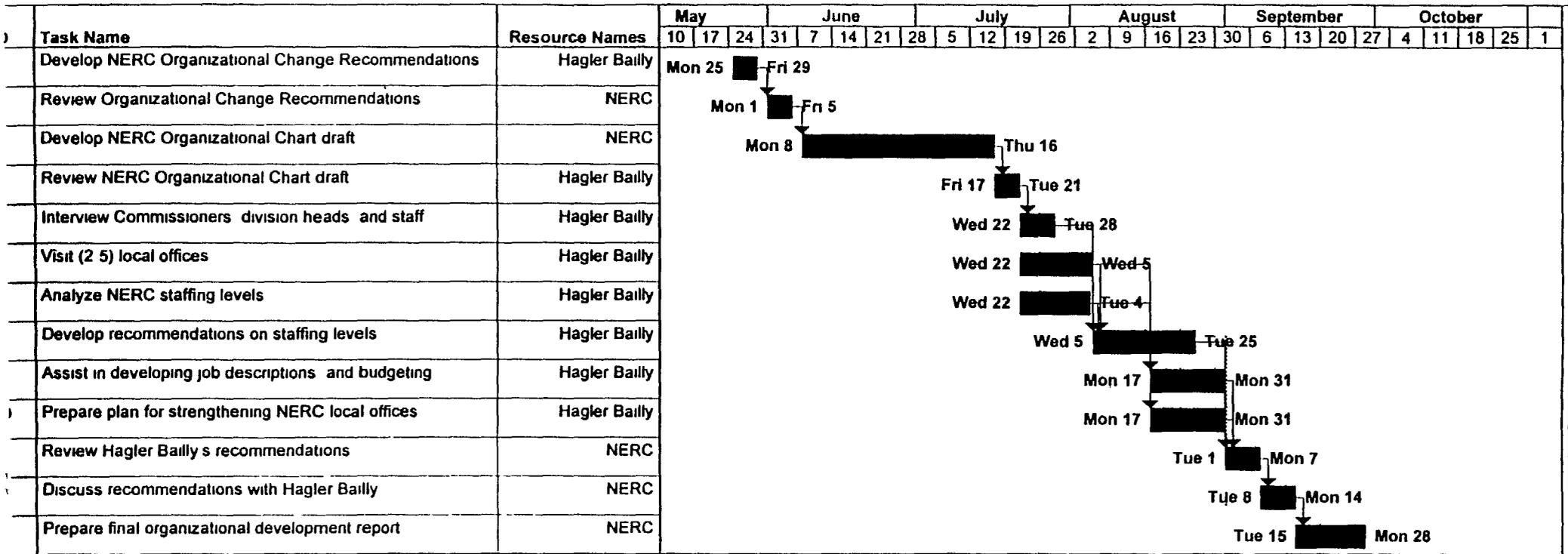
APPENDIX A

Model Area	Issues	Design Options
	<ul style="list-style-type: none">• Currently Local Offices do not share decisions or experiences on a regular basis• Communication methods with Local Offices is too slow or not reliable	
People	<ul style="list-style-type: none">• Overstaffed with technical people• People requirements have changed• Selection process needs to change to fit the new job descriptions• Hard to train new people about the energy sector• Have a need for more economists and lawyers and less need for engineers• Hard to find qualified people• Salary levels too low to allow NERC to compete for competent staff• No trained Oil/Gas people and no time to learn the industry• Not enough training to add or upgrade job skill sets	
Rewards		
Continuous Improvement Process		
Knowledge, Feelings, Behaviors	<ul style="list-style-type: none">• Most Directors feels that they lack the time and in some cases the knowledge to do their job well	

NERC Organizational Development Analysis WORK PLAN

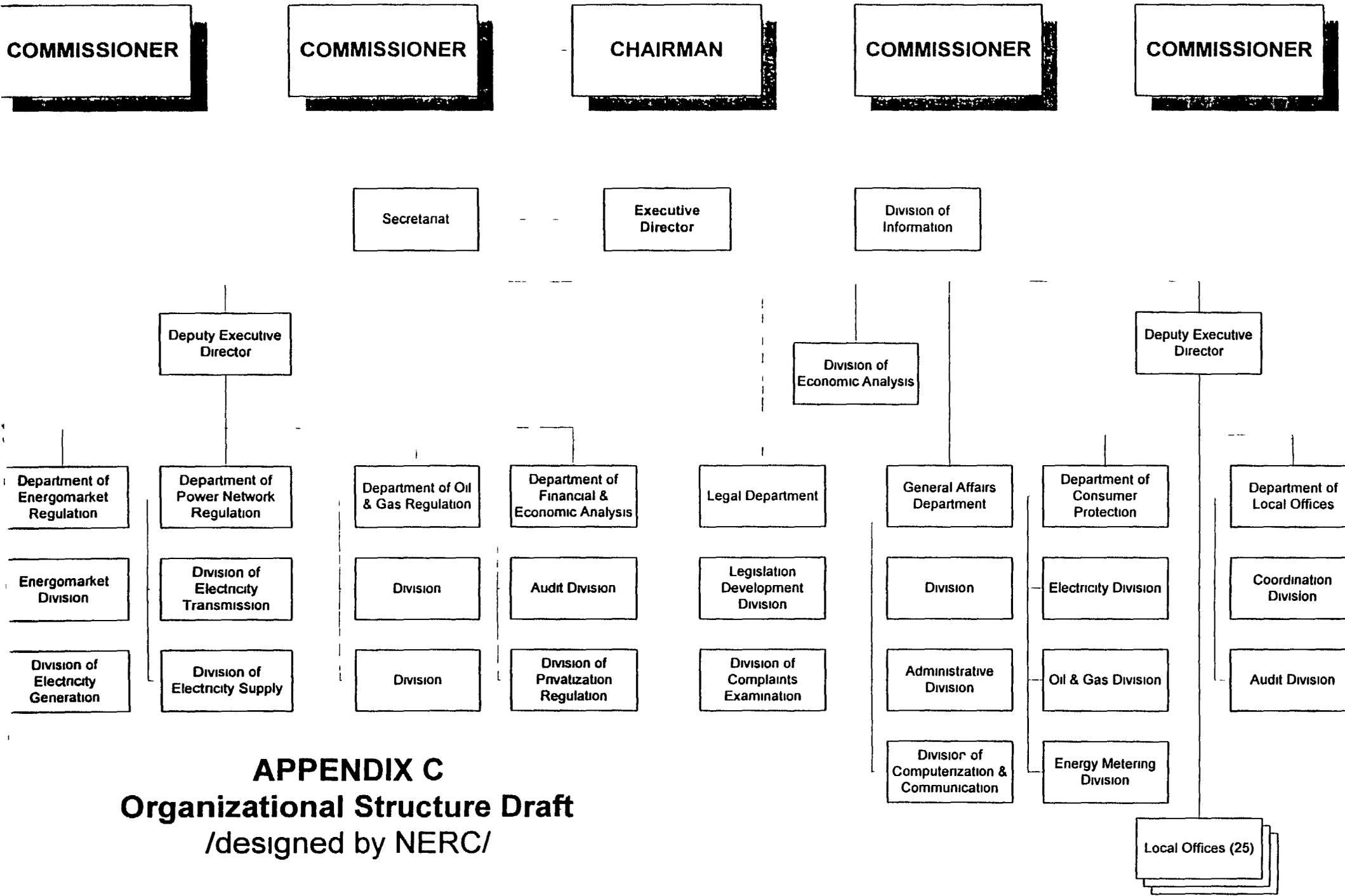
APPENDIX B

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APPENDIX C
Organizational Structure Draft
/designed by NERC/



STATISTICAL DATA

	According to Manning Table	Actual
Chairman	1	1
Commissioner	2	2
Executive Director	1	1
Secretariat	22	15
DLP	25	22
LD	6	6
TD	12	10
PRD	2	2
DLO	6	5
DEAP	15	4
GAD	30	19
Total	122	87
LO	108	80
Total	108	80
TOTAL	230	167

Commission Headquarters

Employees total	87
Administrative team (AT)	10
Employees total minus AT	77
Meetings held	
at 1st stage of analysis	13
at 2nd stage of analysis	33
Meetings held total	46
Total number of participants in the analysis	37
% of the total number minus AT	48 1%

NERC's Departments and Divisions

LIST OF ABBREVIATIONS

DEAP	Division of Economic Analysis and Prognosis
DLO	Department of Local Offices
DLP	Department of Licensing and Pricing
GAD	General Affairs Department
LD	Legal Department
LO	Local Offices
PRD	Public Relations Department
TD	Technical Department
ALOD	Accounts and Labor Organization Division
AT	Administrative Team
CISD	Computerization and Information Science Division
DEEG	Division of Energomarket and Electricity Generation
DES	Division of Electricity Supply
DET	Division of Electricity Transmission
SRIPG	Staff Recruitment and Information Protection Group

STATISTICAL DATA
LIST OF PARTICIPANTS

	Department	Division	Name	Position	Participation in the 1st Stage of Analysis	Participation in the 2nd Stage of Analysis
1			Zinoviy Butsio	Chairman of the Commission	yes	yes
2			Lubov Goncharova	Commissioner	yes	no
3			Oleksandr Gridasov	Commissioner	yes	no
4			Ihor Zhvakín	Executive Director	yes	no
5	Secretariat		Valentyn Tsetsyursky	Expert	no	yes
6	Secretariat		Tetyana Dmytrenko	Computer Operator	no	yes
7	Secretariat		Tetyana Chayun	Inspector	no	yes
8	Secretariat		Olena Hrebenchuk	Chairman s Secretary	no	yes
9	Secretariat		Volodymyr Martynyuk	Chairman s Advisor	no	yes
10	Secretariat		Volodymyr Trafimov	Commissioner's Advisor	no	yes
11	Secretariat		Stefan Dorohov	Head of Secretariat	yes	no
12	Secretariat		Andriy Yurchuk	Chairman s Assistant	no	no
13	Secretariat		Olha Shakh	Commissioner s Assistant	no	no
14	Secretariat		Olha Romanova	Leading Expert	no	no
15	Secretariat		Taras Gryb	Expert (1st category), Editor	no	no
16	Secretariat		Larysa Solovyenko	Secretary	no	no
17	Secretariat		Natalya Babak	Secretary	no	no
18	Secretariat		Lyubov Kasatova	Senior Inspector	no	no
19	Secretariat		Olha Vitkovska	Computer Operator	no	no
20	DLP		Sergiy Vyshynsky	Deputy Director	yes	yes
21	DLP		Olena Sapozhnikova	Computer Operator (archives)	no	no
22	DLP	DEAP	Leonid Kharchenko	Head of Division	no	yes
23	DLP	DEAP	Valentyna Boiko	Chief Expert	no	yes
24	DLP	DEAP	Vira Borysova	Leading Expert	no	no
25	DLP	DEAP	Olha Zbrodova	Leading Expert	no	yes
26	DLP	DEAP	Yuliya Lutsenko	Expert (1st category)	no	no
27	DLP	DEAP	Natalya Zakharova	Expert (2nd category)	no	no
28	DLP	DET	Lyudmyla Vasylyeva	Head of Division	no	yes
29	DLP	DET	Iryna Gorokhova	Chief Expert	no	yes

STATISTICAL DATA
LIST OF PARTICIPANTS

	Department	Name	Post	Participation in the 1st Stage of Analysis	Participation in the 2nd Stage of Analysis	
30	DLP	DET	Viktoriya Samkova	Leading Expert	no	yes
31	DLP	DET	Tetyana Kachkovska	Leading Economist	no	no
32	DLP	DET	Svitlana Dyachuk	Expert (1st category)	no	no
33	DLP	DET	Galyna Chinchenko	Expert (1st category)	no	no
34	DLP	DET	Dmytro Buchylyuk	Expert (2nd category)	no	no
35	DLP	DES	Yuliya Nosulko	Head of Division	yes	yes
36	DLP	DES	Olha Osadcha	Chief Expert	no	no
37	DLP	DES	Svitlana Konstantynova	Chief Expert	no	no
38	DLP	DES	Kateryna Mazur	Leading Expert	no	no
39	DLP	DES	Leonid Ctelyuk	Leading Expert	no	no
40	DLP	DES	Olena Rakova	Expert (1st category)	no	no
41	DLP	DES	Lidiya Artemenko	Accountant	no	no
42	LD		Olena Samborskaya	Head of Department	yes	no
43	LD		Tetyana Smolina	Deputy Head	yes	yes
44	LD		Alla Kachurovska	Chief Legal Advisor	no	yes
45	LD		Olena Voronina	Chief Legal Advisor	no	yes
46	LD		Yevheniya Zagumennova-Krupovich	Leading Legal Advisor	no	yes
47	LD		Viktoriya Dudchenko	Expert	no	yes
48	TD		Leonid Symonenko	Head of Department	yes	yes
49	TD		Tymofiy Andriyevsky	Chief Expert	no	no
50	TD		Vitaly Iosyfovych	Chief Expert	no	yes
51	TD		Oksana Drannik	Leading Expert	no	yes
52	TD		Anastasiya Matora	Expert (1st category)	no	no
53	TD	CISD	Vladyslav Popovych	Head of Division	no	no
54	TD	CISD	Natalya Kostyshena	Chief Expert	no	yes
55	TD	CISD	Tetyana Ruban	Leading Expert	no	no
56	TD	CISD	Valery Tsaplin	Leading Expert	no	yes
57	TD	CISD	Maksym Kucherov	Electronics Engineer (2nd category)	no	no
58	PRD		Volodymyr Brynzyuk	Head of Department	yes	yes
59	PRD		Natalya Drannik	Leading Expert	no	no

**STATISTICAL DATA
LIST OF PARTICIPANTS**

	Department	Division	Name	Post	Participation in the 1st Stage of Analysis	Participation in the 2nd Stage of Analysis
60	DLO		Konstantyn Krasnyuk	Deputy Director	yes	yes
61	DLO		Petro Prodan	Chief Expert	no	yes
62	DLO		Volodymyr Vasyliev	Leading Expert	no	yes
63	DLO		Anastasiya Fedorko	Expert (1st category)	no	no
64	DLO		Oleh Yushchenko	Expert (2nd category)	no	no
65		DEAP	Petro Buravchenko	Chief Expert	no	no
66		DEAP	Petro Petrenko	Leading Expert	no	no
67		DEAP	Volodymyr Prysyzhnyuk	Expert	no	no
68		DEAP	Olha Nedina	Expert	no	no
69	GAD		Viktor Donchenko	Head of Department	no	yes
70	GAD	ALOD	Lyudmila Sobol	Chief Accountant	no	yes
71	GAD	ALOD	Kateryna Grysanenko	Deputy Chief Accountant	no	no
72	GAD	ALOD	Neonila Pysarenko	Leading Expert in Labor Organization	yes	yes
73	GAD	ALOD	Lyudmyla Yanel	Accountant (1st category)	no	no
74	GAD	ALOD	Tamara Loskutova	Accountant-Cashier	no	no
75	GAD	SRIPG	Nadiya Kutsyk	Chief Personnel Expert	no	yes
76	GAD	SRIPG	Mykola Khutoryny	Leading Expert in Information Protection	no	no
77	GAD	SRIPG	Lyudmyla Makarenko	Inspector	no	no
78	GAD	AT	Victor Trofimov	Chief Mechanical Engineer	no	no
79			Vyacheslav Yahovy	Senior Technician	no	no
80			Andriy Dukhnenko	Economic Executive Manager	no	no
81			Vitaly Rudenko	Driver	no	no
82			Mykola Klimenko	Driver	no	no
83			Anatoly Goncharuk	Driver	no	no
84			Oleksiy Snitsyruk	Driver	no	no
85			Valentyna	Office cleaner	no	no
86			Stanislav Skudz	Driver	no	no
87			Valery Degtyarev	Driver	no	no

QUESTIONNAIRE

Analysis of NERC Staffing Level

Greetings

The purpose of the talk

Information confidentiality

Time period necessary for talk

45-60 min with a manager

30 min with an associate

	Question	Answer	Comments
<i>Questions to the Head of Division/Department</i>			
1	What are the functions of your division/department?		
2	How many associates are presently working in the division/department?		
3	How many associates is it necessary to employ according to manning table?		
4	Give a list of employees of the division/department specifying their positions		
5	What tasks (functions) of the division/department are not fulfilled due to shortage of staff?		
6	What are you in charge of?		
7	Who and how gives you assignments?		

- 8 Who and how are assignment results passed to?
- 9 Do you always know what assignments are fulfilled by your subordinates?
- 10 Are you always informed from whom your subordinates got assignments?
- 11 How are assignments distributed?
- 12 In what way is task implementation controlled?

Questions to Employees

- 13 What are you in charge of?
- 14 Who and how gives you assignments?
- 15 Who and how are assignment results passed to?
- 16 In what way is task implementation controlled?
- 17 Outline the most typical assignment you usually fulfill, please
- 18 How long does it take to fulfill a typical assignment?

- 19 How is it possible to simplify fulfillment of the assignment?
- 20 Do you communicate with your division/department colleagues while fulfilling assignment?

If yes, in what way?
- 21 Do you communicate with colleagues from other divisions/departments while fulfilling assignment?

If yes, in what way?
- 22 Where is a "weak" or "redundant" link in communication with other associates or in decision-making process in general
- 23 How is it possible to simplify fulfillment of the assignment?
- 24 Can you always learn about the situation with your inquiry and when do you get feedback to your inquiry?
- 25 How many issues do you have to solve at a time? (approximately)
- 26 How often do you overwork?
- 27 How many issues, in your opinion, is it possible to solve at a time?

28 Is it necessary for you to agree on your decision with the Head of department or do you need just formal approval of the department head?
 If yes, does it considerably slow down the process of fulfilling the assignment?

29 What are the reasons for delays in your work on fulfilling the assignment?

- lack of necessary information
- lack of employees
- lack of time
- lack of technical devices
- other reasons (to be specified)

30 How much time do you spend in office and out working on the assignment?

31 Do you face difficulties in solving problems when some employees are absent from work?

32 Does the current Commission's system of information exchange enable to acquire missing knowledge necessary for work?

If yes, in what way?

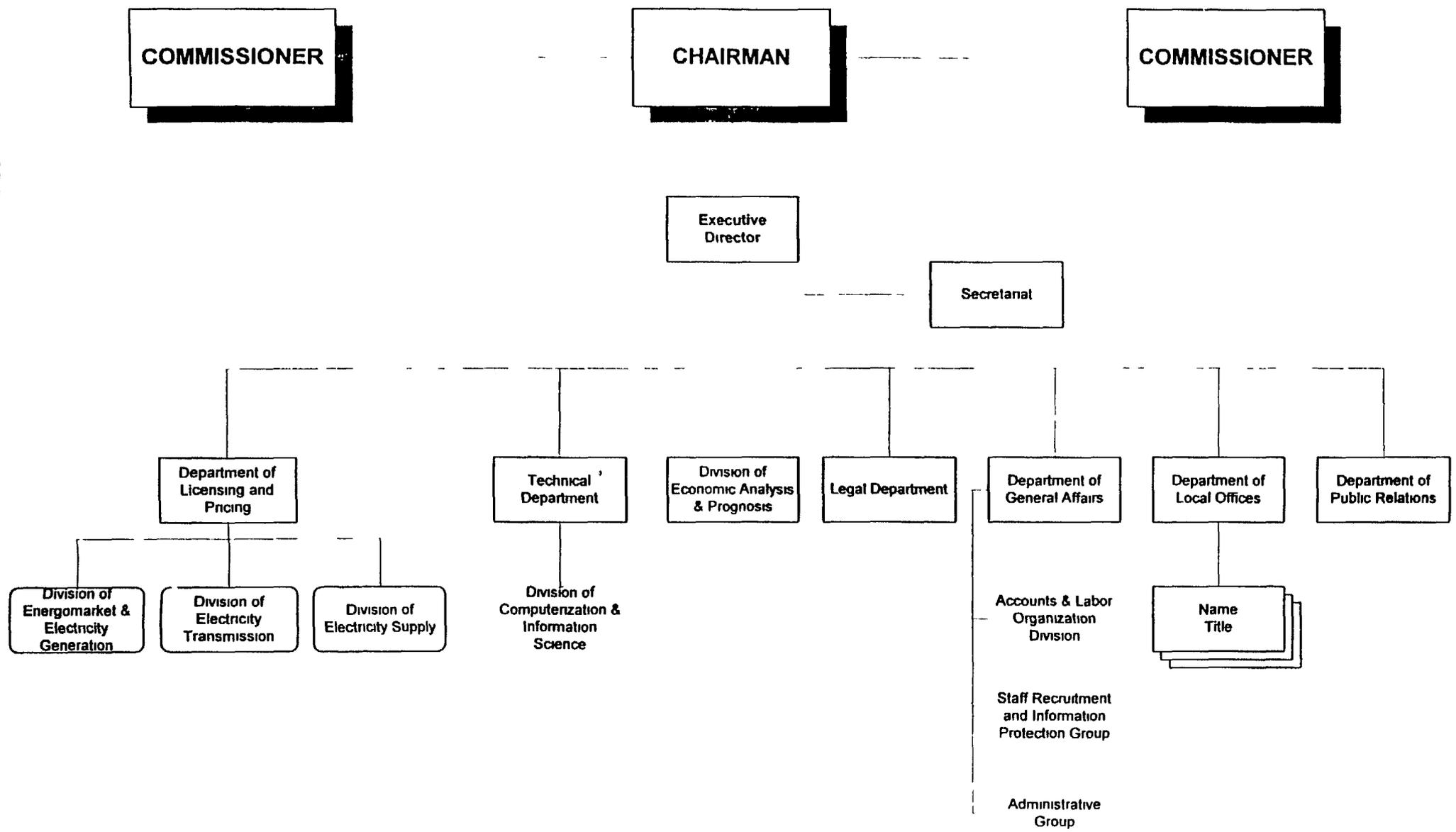
33 Could you be, in your opinion, of more use to the Commission, if you worked at other division?

34 Your comments, criticism, proposals?

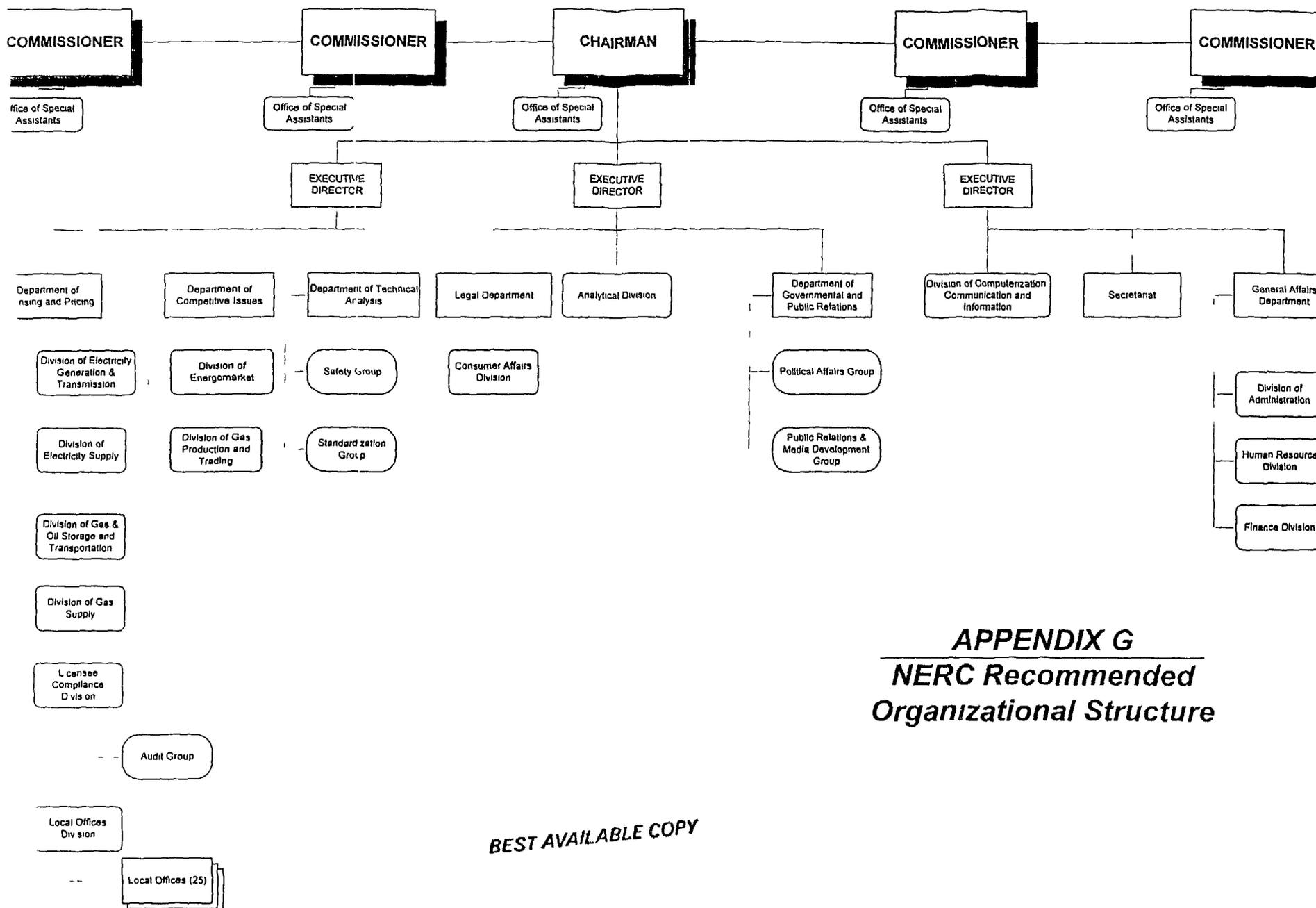
NERC Organizational Structure /
1995-1998/

APPENDIX F

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APPENDIX G
NERC Recommended
Organizational Structure

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THE CABINET OF MINISTERS OF UKRAINE
RESOLUTION No 977 of June 30, 1997
 Kyiv

**On material maintenance of activity
 of the National Electricity Regulatory Commission of Ukraine**

In order to implement the Presidential Decree No 335 of April 21, 1998 'The issues related to the National Electricity Regulatory Commission of Ukraine' the Cabinet of Ministers of Ukraine **R E S O L V E S**

- 1 To set up for the Chairman and the members of the National Electricity Regulatory Commission of Ukraine (hereinafter – the Commission)

fixed salary - in the amount of 170 UAH and 165 UAH, respectively,

job difficulty allowance – in the amount of 90% of fixed salary including position premium,

increase in salary for special conditions of work, related to implementation of state policy towards natural monopolies, - in the amount of 50 % of fixed salary including position premium

Other terms of remuneration for the Chairman and the Commissioners are established in compliance with the Cabinet of Ministers Resolution No 35 of January 21, 1993 'On terms of remuneration of employees of state executive bodies and other institutions' (with relevant amendments and addenda)

- 2 According to article 25 of the Law of Ukraine On Public Service to refer the positions of the Chairman and the Commissioners to the first position category of public employees
- 3 Regarding material maintenance, transport and communication, medical and rehabilitation service to equate the Chairman of the Commission with the minister the Commissioners – with deputy ministers the employees of the central office – with respective categories of ministries employees, the employees of local offices of the Commission – with respective categories of department employees (independent units) of oblast Kyiv and Sevastopol city state administrations
- 4 To consider the Cabinet of Ministers Resolution No 96 of February 21 1995 ineffective

First Prime Minister of Ukraine

A Golubchenko

LOCAL OFFICE STAFFING LEVELS

APPENDIX I

1	POSITION	THE HEAD OF LOCAL OFFICE	CHIEF EXPERT	LEADING EXPERT	LEADING ENGINEER	ENGINEER-ECONOMIST	ACCOUNTANT	Number of Employees
	2	3	4	5	6	7	8	9
	LOCAL OFFICE							Planned
1	Krimea Sevastopol	Mykola Pkerentsev		Tetiana Panyukova		Olga Igoshina		4
2	Vinnitsa	Leonid Rudskiy				Zoya Kolesnik		4
3	Volyn	Mykola Keda		Oleg Stavetskiy		Ivanna Gayvolia		4
4	Dnipropetrovsk	Mykola Skorozhod		Viktor Andrienko		Iryna Zarembo		5
5	Donetsk	Yuriy Gunkin	Anatoliy Piskuno	Yuriy Plotnikov	Vadim Deynek	Oksana Maksimenko	Vira Granina	6
6	Zhitomyr	Igor Zubitskiy		Mykola Loginov		Ivan Kot		4
7	Zakarpattia	Mykola Koval		Volodymyr Broda		Mariya Mysiv		4
8	Zaporizhia	Igor Ivanov		Anatoliy Kalinchuk			Anna Azarenkova	5
9	Ivano Frankivs	Bogdan Labiak		Uliana Kurinyuk		Olga Ostrovska		4
10	Kyiv	Valeriy Degtiarev	Yuriy Skripnik	Volodymyr Kozakov		Ludmila Elamova		6
11	Kyrovograd	Anatoliy K Matveev		Anatoliy Ivanov		Valentina Goncharenko Goncharenko		4
12	Lugansk	Ivan Tushko		Ivan Donets		Ivan Savin		5
14	Mykolayiv	Anatoliy Gnedob		Evgeniy Zakrzhevskiy		Irina Koba	Olena Babichenko	4
15	Odesa	Anatoliy Penza		Valentina Pavlovska		Nina Katkova		4



LOCAL OFFICE STAFFING LEVELS

APPENDIX I

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16	Poltava	Anatoliy Starchenko	Oleksandr Zlotnik	Diana D Didvich	4	
17	Rivne	Karp Shteynberg	Volodymyr Nechyporuk	Olga Gorokh	4	
18	Sumy	Petr Troyanov	Anatoliy Daybrova	Tetyana Mamonenko	4	
19	Ternopil	Markiyan Maiyor	Irina Kindel	Konstantin Radkovskiy	4	
20	Kharkiv	Anatoliy Diyachenko	Vasily Kozachuk	Viktoriya Ozerova	5	
21	Kherson	Yuriy Dreganov	Boris Tkachenko	Natalia Vasil'eva	4	
22	Khmelnitsk	Viktor Kukuza	Yuriy Naumchuk	Andriy Monastyrskiy	Ludmila Grudsva	4
23	Cherkassy	Anatoliy Prizhodko	Volodymyr Gusak	Pataliya Maksunova	4	
24	Chernovtsy	Andriy Teslyukov	Anatoliy Maliar	Iryna Shemchuk	4	
25	Chernihiv	Valeriy Sedliar	Oleksandr Stasyuk	Natalia Tereschenko	Mariya Sknar	4

COMPARATIVE ECONOMIC ANALYSIS
Overall Expenses

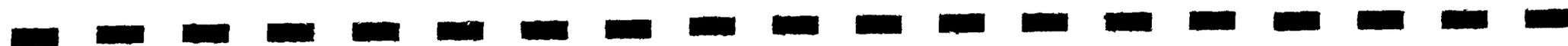
APPENDIX J

LOCAL OFFICES

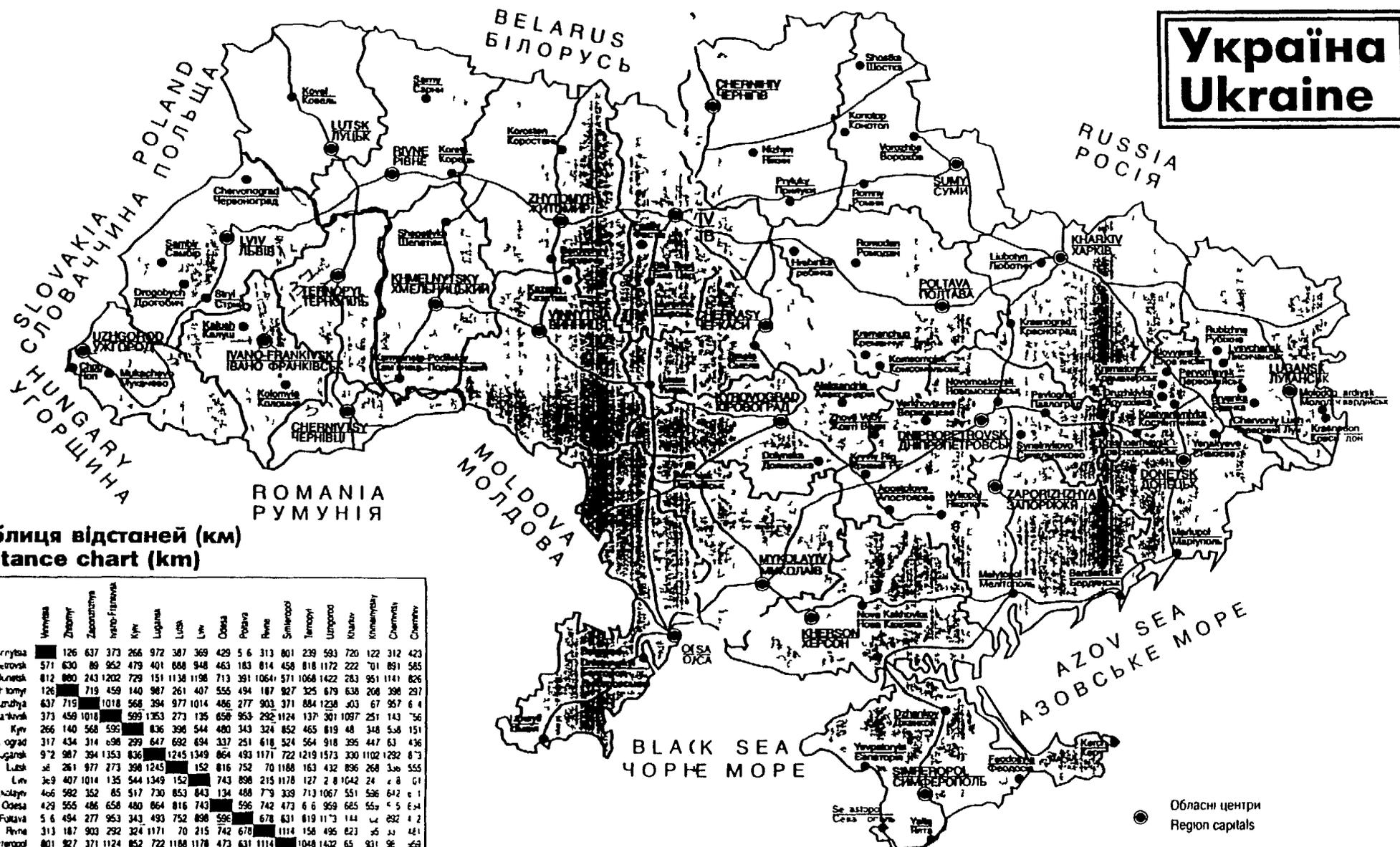
OBLAST NAME	Office Rent	Municipal Services	Transportation Rent	Postal Expenses	Office Supplies	Communication Expenses	Banking Fees	Other	Per Diem	Equipment	Other	Grand Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Zakarpattia	\$1,000	\$0	\$250	\$30	\$0	\$200	\$5	\$50	\$100	\$160	\$0	\$1,795
Ivano-Frankivsk	\$1,000	\$25	\$150	\$55	\$0	\$75	\$5	\$160	\$100	\$400	\$0	\$1,970
L'viv	\$1,000	\$0	\$300	\$45	\$25	\$25	\$15	\$0	\$75	\$90	\$15	\$1,590
Ternopil'	\$1,000	\$8	\$300	\$150	\$64	\$100	\$0	\$0	\$100	\$147	\$0	\$1,868
Chernivtsy	\$1,000	\$5	\$150	\$40	\$0	\$75	\$5	\$170	\$100	\$350	\$25	\$1,920
GRAND TOTAL	\$5,000	\$38	\$1,150	\$320	\$89	\$475	\$30	\$380	\$475	\$1,147	\$40	\$9,143

REGIONAL OFFICE

OBLAST NAME	Office Rent	Municipal Services	Transportation Rent	Postal Expenses	Office Supplies	Communication Expenses	Banking Fees	Other	Per Diem	Equipment	Other	Grand Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Ivano-Frankivsk	\$5,000	\$125	\$2,893	\$800	\$320	\$1,000	\$75	\$380	\$500	\$1,147	\$40	\$12,280



Україна Ukraine



Таблиця відстаней (км)
Distance chart (km)

	Vynnytsia	Zhytomyr	Zaporizhzhya	Ivano-Frankivsk	Kyiv	Lugansk	Luhansk	Lviv	Odesa	Poltava	Rivne	Sivkhorod	Ternopil	Uzhgorod	Kharkiv	Khmelnytsky	Chernivtsy	Chernobyl	
Vynnytsia	█	126	637	373	266	972	387	369	429	5	6	313	801	239	593	720	122	312	423
Zhytomyr	571	█	630	89	952	479	401	688	948	463	183	814	458	818	1172	222	701	891	585
Zaporizhzhya	812	880	█	243	1202	729	151	1138	1198	713	391	1064	571	1068	1422	283	951	1141	826
Ivano-Frankivsk	126	719	459	█	140	987	261	407	555	494	187	927	325	679	638	208	398	297	
Kyiv	637	719	459	1018	█	568	394	977	1014	486	277	903	371	884	1238	303	67	957	64
Lugansk	373	459	1018	599	1353	█	273	135	658	953	292	1124	137	301	1097	251	143	56	
Luhansk	266	140	568	595	836	398	█	544	480	343	324	852	465	819	48	348	538	151	
Lviv	317	434	314	698	299	647	692	█	694	337	251	618	524	564	918	395	447	63	436
Odesa	972	987	394	1353	836	1245	1349	864	█	493	1171	722	1219	1573	330	1102	292	873	
Poltava	152	261	877	273	398	1245	152	816	752	█	70	1188	163	432	896	268	336	555	
Rivne	369	407	1014	135	544	1349	152	743	898	215	█	1178	127	2	81042	24	2	8	51
Sivkhorod	466	592	352	85	517	730	853	843	134	488	79	█	339	713	1067	551	536	642	1
Ternopil	429	555	494	658	480	864	816	743	596	742	473	6	█	959	685	555	6	5	24
Uzhgorod	5	6	494	277	953	343	493	752	898	596	678	631	819	█	1173	144	12	292	4
Kharkiv	313	187	903	292	324	1171	70	215	742	678	1114	158	495	623	█	35	32	481	
Khmelnytsky	801	927	371	1124	852	722	1188	1178	473	631	1114	1048	1432	65	931	█	96	269	
Chernivtsy	211	485	450	944	339	535	743	889	779	183	669	814	810	1164	185	693	█	683	1,8
Chernobyl	533	325	884	137	465	1219	164	127	676	819	158	1048	353	963	11	1	1	█	0,22
Other cities	593	679	1238	301	819	1573	432	278	959	1173	495	1402	353	131	41	444	█	3	0

- Обласні центри
Region capitals
- Міста з населенням більш ніж 50 000
Towns and cities with population over 50 000
- Міжміські автомагістралі
Intercity Highways

**COMPARATIVE ECONOMIC ANALYSIS
BUSINESS TRIP EXPENSES**

APPENDIX J

Lviv Local Office								
	One Way	Round Trip	Rate	Transport Cost	Hotel	Per diem	Grand total	
	km	km						
Striy	76	152	\$0 30	\$46	\$0 00	\$0 00		\$46
Sambir	65	130	\$0 30	\$39	\$0 00	\$0 00		\$39
Turka	127	254	\$0 30	\$76	\$0 00	\$0 00		\$76
Chervonograd	70	140	\$0 30	\$42	\$0 00	\$0 00		\$42
Radekhiv	57	114	\$0 30	\$34	\$0 00	\$0 00		\$34
Peremyshliany	38	76	\$0 30	\$23	\$0 00	\$0 00		\$23
Zhydachiv	60	120	\$0 30	\$36	\$0 00	\$0 00		\$36
Total	493	986		\$296	\$0 00	\$0 00		\$296

Ternopil Local Office								
Kremenets	69	138	\$0 30	\$41	\$0 00	\$0 00		\$41
Zalozhtsi	35	70	\$0 30	\$21	\$0 00	\$0 00		\$21
Pridvolochisk	42	84	\$0 30	\$25	\$0 00	\$0 00		\$25
Berezhany	52	104	\$0 30	\$31	\$0 00	\$0 00		\$31
Buchach	78	156	\$0 30	\$47	\$0 00	\$0 00		\$47
Chortkiv	73	146	\$0 30	\$44	\$0 00	\$0 00		\$44
Borschiv	125	250	\$0 30	\$75	\$0 00	\$0 00		\$75
Lanivtsi	43	86	\$0 30	\$26	\$0 00	\$0 00		\$26
Total	517	1034		\$310	\$0 00	\$0 00		\$310

Zakarpattia Local Office								
Big Bereznyi	43	86	\$0 30	\$26	\$0 00	\$0 00		\$26
Mukachevo	42	84	\$0 30	\$25	\$0 00	\$0 00		\$25
Beregove	71	142	\$0 30	\$43	\$0 00	\$0 00		\$43
Kust	108	216	\$0 30	\$65	\$0 00	\$0 00		\$65
Mizhgoria	158	316	\$0 30	\$95	\$0 00	\$0 00		\$95
Tiachiv	135	270	\$0 30	\$81	\$0 00	\$0 00		\$81
Rakhiv	208	416	\$0 30	\$125	\$0 00	\$0 00		\$125
Total	765	1530		\$459	\$0 00	\$0 00		\$459

Ivano-Frankovsk Local Office								
Kolomiya	48	96	\$0 30	\$29	\$0 00	\$0 00		\$29
Dolyna	62	124	\$0 30	\$37	\$0 00	\$0 00		\$37
Rogatyn	60	120	\$0 30	\$36	\$0 00	\$0 00		\$36
Nadvirna	36	72	\$0 30	\$22	\$0 00	\$0 00		\$22
Yaremcha	51	102	\$0 30	\$31	\$0 00	\$0 00		\$31
Palych	26	52	\$0 30	\$16	\$0 00	\$0 00		\$16
Total	283	566		\$170	\$0 00	\$0 00		\$170

Chernivtsy Local Office								
Byzhnytsya	73	146	\$0 30	\$44	\$0 00	\$0 00		\$44
Storozhynets	19	38	\$0 30	\$11	\$0 00	\$0 00		\$11
Glyboka	33	66	\$0 30	\$20	\$0 00	\$0 00		\$20
Novoselytsya	25	50	\$0 30	\$15	\$0 00	\$0 00		\$15
Khotiv	59	118	\$0 30	\$35	\$0 00	\$0 00		\$35
Snyatin	44	88	\$0 30	\$26	\$0 00	\$0 00		\$26
Total	253	506		\$152	\$0 00	\$0 00		\$152

Grand Total	2311	4116	\$0 30	1387	\$0 00	\$0 00		\$1,387
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**COMPARATIVE ECONOMIC ANALYSIS
BUSINESS TRIP EXPENSES**

APPENDIX J

Ivano-Frankovsk Regional Office

Lviv oblast

	One Way km	Round Trip km	Rate	Transport Cost	Hotel	Per Diem	Grand Total
Striy	95	190	\$0 30	\$57	\$0 00	\$0 00	\$57
Sambir	168	336	\$0 30	\$101	\$0 00	\$0 00	\$101
Turka	208	416	\$0 30	\$125	\$0 00	\$0 00	\$125
Chervonograd	205	410	\$0 30	\$123	\$0 00	\$0 00	\$123
Radechiv	192	384	\$0 30	\$115	\$0 00	\$0 00	\$115
Peremyshliany	92	184	\$0 30	\$55	\$0 00	\$0 00	\$55
Zhydachiv	100	200	\$0 30	\$60	\$0 00	\$0 00	\$60
Total	1060	2120		\$636	\$0 00	\$0 00	\$636

Ternopil oblast

Kremenets	213	426	\$0 30	\$128	\$0 00	\$0 00	\$128
Zalozhtsi	179	358	\$0 30	\$107	\$0 00	\$0 00	\$107
Pidvolochisk	186	372	\$0 30	\$112	\$0 00	\$0 00	\$112
Berezhany	92	184	\$0 30	\$55	\$0 00	\$0 00	\$55
Buchach	68	136	\$0 30	\$41	\$0 00	\$0 00	\$41
Buchach	109	218	\$0 30	\$65	\$0 00	\$0 00	\$65
Borschiv	161	322	\$0 30	\$97	\$0 00	\$0 00	\$97
Lanivtsi	187	374	\$0 30	\$112	\$0 00	\$0 00	\$112
Total	1195	2390		\$717	\$0 00	\$0 00	\$717

Zakarpattia oblast

Big Bereznyi	240	480	\$0 30	\$144	\$0 00	\$0 00	\$144
Mukachevo	251	502	\$0 30	\$151	\$0 00	\$0 00	\$151
Beregove	202	404	\$0 30	\$121	\$0 00	\$0 00	\$121
Khust	203	406	\$0 30	\$122	\$0 00	\$0 00	\$122
Mizhgoria	135	270	\$0 30	\$81	\$0 00	\$0 00	\$81
Trachiv	236	472	\$0 30	\$142	\$0 00	\$0 00	\$142
Rakhiv	136	272	\$0 30	\$82	\$0 00	\$0 00	\$82
Total	1403	2806		\$842	\$0 00	\$0 00	\$842

Chernivtsy oblast

Byzhnitsya	83	166	\$0 30	\$50	\$0 00	\$0 00	\$50
Storozhynets	162	324	\$0 30	\$97	\$0 00	\$0 00	\$97
Glyboka	164	328	\$0 30	\$98	\$0 00	\$0 00	\$98
Novoselytsya	168	336	\$0 30	\$101	\$0 00	\$0 00	\$101
Khotiv	202	404	\$0 30	\$121	\$0 00	\$0 00	\$121
Snyatin	100	200	\$0 30	\$60	\$0 00	\$0 00	\$60
Total	879	1758		\$527	\$0 00	\$0 00	\$527

Ivano-Frankivsk oblast

Kolomiya	48	96	\$0 30	\$29	\$0 00	\$0 00	\$29
Dolyna	62	124	\$0 30	\$37	\$0 00	\$0 00	\$37
Rogatyn	60	120	\$0 30	\$36	\$0 00	\$0 00	\$36
Nadvirna	36	72	\$0 30	\$22	\$0 00	\$0 00	\$22
Yaremcha	51	102	\$0 30	\$31	\$0 00	\$0 00	\$31
Palych	26	52	\$0 30	\$16	\$0 00	\$0 00	\$16
Total	283	566		\$170	\$0 00	\$0 00	\$170

Grand Total	4820	9640	\$0 30	2892	\$0 00	\$0 00	\$2,892
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STAFFING LEVELS AND SALARIES

US Regulatory Commissions, 1993

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Five Commissioners appointed by the Governor and confirmed by the Senate for five-year staggered terms Governor appoints Chair

Jurisdiction Electric (private), gas (private), gas and electric (municipal - outside corporate limits), telephone, radio common carriers, telegraph, water (investor municipal), sewer (investor, municipal - rates and services outside corporate limits), steam heating companies, docks and wharves, securities, water carries, intrastate air transportation, motor passenger carriers, household goods carriers (rates), parcel carriers (rates), buses (rates), taxicabs (rates), motor freight carriers, freight forwarders, railroader, brokers

NAME OF BUREAU	NUMBER OF PERSONNEL
Chairman and Commissioners	5
Executive Offices of Chairman and Commissioners	26
Executive Director	34
Office of Special Assistants	43
Bureau of Public Liaison	9
Office of Trial Staff	46
Secretary's Bureau	55
Law	39
Office of Administrative Law Judge	51
Transportation	37
Conservation, Economics & Energy Planning	14
Customer Services	47
Audits	55
Safety and Compliance	120
TOTAL	581

APPENDIX K

TEXAS PUBLIC UTILITY COMMISSION

Three Commissioners appointed by the Governor and confirmed by the Senate for six-year staggered terms Commissioners select Chair

Jurisdiction Electric (private), gas (private), gas and electric (municipal - outside corporate limits), telephone

NAME OF BUREAU	NUMBER OF PERSONNEL
Commissioners & Executive Director & Staff	14
Administration	18
Public Information	9
Electric	51
Telephone	35
Information Systems and Services	8
General Counsel	32
Hearings	32
Operations Review	17
Special Counsel	2
Economic and Regulatory Policy	3
TOTAL	221

KENTUCKY PUBLIC UTILITY COMMISSION

Three Commissioners appointed by the Governor and confirmed by the Senate for four-year staggered terms Governor appoints Chair

Jurisdiction Electric (private), gas (private), cooperative electric and telephone utilities, telephone (private), radio common carriers, water (investor), water districts, water associations, sewer (investor)

APPENDIX K

NAME OF DIVISION	NUMBER OF PERSONNEL
Commissioner's Office	6
Executive Advisor	1
Executive Director	19
Deputy Director	1
Hearing Examiner	1
Financial Analysis	24
Rates and Research	24
Engineering and Services	30
General Counsel\Legal	10
Administrative Services	9
Public Information Office	1
TOTAL	126

STAFFING LEVELS AND SALARIES

US Regulatory Commissions, 1993

FEDERAL ENERGY REGULATORY COMMISSION

NUMBER OF FULL-TIME EMPLOYEES 1472

KEY POSITIONS	Annual Salary	Method of Selection	Tenure of Office
Chairman (pas, III)	\$123,100	Appointed by President	5 years
Commissioners (4) (PAS, IV)	\$115,700	Appointed by President	5 years
Executive Director (SES)	96,830 to 120,594	Senior Executive Service	Indefinite
Secretary (SES)	96,830 to 120,595	Senior Executive Service	Indefinite
Director, Office of Economic Policy (SES)	96,830 to 120,595	Senior Executive Service	Indefinite
General Counsel (SES)	96,830 to 120,595	Senior Executive Service	Indefinite
Chief Accountant (SES)	96,830 to 120,595	Senior Executive Service	Indefinite
Director, Electric Power Regulation (SES)	96,830 to 120,595	Senior Executive Service	Indefinite
Director, Hydropower Licensing (SES)	96,830 to 120,600	Senior Executive Service	Indefinite
Director, Pipeline & Producer Regulation (SES)	96,830 to 120,600	Senior Executive Service	Indefinite
Director, Office of External Affairs (SES)	96,830 to 120,600	Senior Executive Service	Indefinite

SALARIES FOR KEY FEDERAL, STATE OFFICIALS AND STAFF

TEXAS PUBLIC UTILITY COMMISSION

NUMBER OF FULL-TIME EMPLOYEES 227

KEY POSITIONS	Annual Salary	Method of Selection	Tenure of Office
Chairman	\$75,748	Appointed by Governor	6 years
Commissioners (2)	\$75,748	Appointed by Governor	6 years
Executive Director	\$72,580	Appointed by Exec Dir	Indefinite
Director of Administration	\$63,654	Appointed by Exec Dir	Indefinite
General Counsel	\$62,960	Appointed by Commission	Indefinite
Director of Electric	\$63,654	Appointed by Exec Dir	Indefinite
Director of Hearings	\$68,958	Appointed by Commission	Indefinite
Director of Operations Review	\$63,654	Appointed by Exec Dir	Indefinite
Director of Telephone	\$63,654	Appointed by Exec Dir	Indefinite

**SALARIES FOR KEY FEDERAL, STATE OFFICIALS AND STAFF
KENTUCKY PUBLIC UTILITY COMMISSION
NUMBER OF FULL-TIME EMPLOYEES 126**

KEY POSITIONS	Annual Salary	Method of Selection	Tenure of Office
Chairman	\$70,500	Appointed by Governor	4 years
Vice Chairman	\$65,593	Appointed by Governor	4 years
Commissioners	\$63,000	Appointed by Governor	4 years
Executive Director	\$60,600	Appointed by Commission	Indefinite
Hearing Examiner	\$51,265	Merit System	Indefinite
Information System Manager	\$39,247	Merit System	Indefinite
Complaints Manager	\$55,287	Merit System	Indefinite
Pr Complaints Investigator	18,234 to 29,364	Merit System	Indefinite
Public Information Officer	\$17,106	Appointed by Commission	Indefinite
General Counsel	\$46,582	Appointed by Commission	Indefinite
Attorney III	32,916 to 50,000	Merit System	Indefinite
Director, Division of Engineering	\$65,416	Appointed by Commission	Indefinite
Public Service Eng Manager	29,856 to 47,808	Merit System	Indefinite
Chief Engineer	27,072 to 43,368	Merit System	Indefinite
Chief Utility Investigator	24,552 to 39,336	Merit System	Indefinite
Director, Div of Financial Analysis	\$47,695	Appointed by Commission	Indefinite
Pub Serv Rates & Tariffs Mgr	29,856 to 47,808	Merit System	Indefinite
Chief Financial Analyst	24,552 to 39,336	Merit System	Indefinite
Chief Rate Analyst	24,552 to 39,336	Merit System	Indefinite
Audit Team Leader	22,272 to 35,668	Merit System	Indefinite
Director, Division of Research and Rates	\$51,513	Appointed by Commission	Indefinite
Management Audit Manager	\$40,297	Merit System	Indefinite
Management Auditor	22,272 to 35,668	Merit System	Indefinite
Economist	27,072 to 43,368	Merit System	Indefinite
Pub Serv Rates & Tariffs Mgr	29,856 to 47,808	Merit System	Indefinite
Utility Rates Analyst	18,234 to 29,364	Merit System	Indefinite
Director, Division of Administrative Services	\$50,379	Appointed by Commission	Indefinite

**SALARIES FOR KEY FEDERAL, STATE OFFICIALS AND STAFF
PENNSYLVANIA PUBLIC UTILITY COMMISSION
NUMBER OF FULL-TIME EMPLOYEES 581**

KEY POSITIONS	Annual Salary	Method of Selection	Tenure of Office
Chairman	\$78,500	Gov /Senate Confirm	5 years
Commissioners (4)	\$76,000	Gov /Senate Confirm	5 years
Executive Director	\$81,252	Commission	Indefinite
Deputy Director	\$76,049	Commission	Indefinite
Director of Trial Staff	\$73,213	Commission	Indefinite
Chief Counsel	\$72,137	Commission	Indefinite
Chief Administrative Law Judge	\$7,112	Commission	Indefinite
Dir , Office of Spec Assts	\$7,112	Commission	Indefinite
Director, Safety & Compliance	\$7,112	Commission	Indefinite
Director, Audits	\$67,815	Commission	Indefinite
Director, Transportation	\$67,815	Commission	Indefinite
Dir , Conserv , Econ & Energy Planning	\$63,726	Commission	Indefinite
Director, Consumer Service	\$64,528	Commission	Indefinite
Director, Office of Public Liaison	\$77,337	Commission	Indefinite
Secretary	\$77,337	Commission	Indefinite

COMPARATIVE ANNUAL EXPENDITURES

APPENDIX L

EXPENDITURE	KENTUCKY	Percentage	TEXAS	Percentage	PENNSYLVANIA	Percentage	NERC	Percentage
Salaries and Wages	\$4 183 001	67 4%	\$8 232	75 9%	\$25 302 646	72 6%	\$415,108	20 5%
Contributions to Social Security	\$296 685	4 8%			\$1 551 255	4 5%		
Contributions to Retirement System	\$316 905	5 1%			\$1 566 727	4 5%		
Insurance and Bonding					\$22 325	0 1%		
Other Benefits & Emp Ins	\$271 802	4 4%						
Dues and Professional Services	\$244 775	3 9%			\$1 362 469	3 9%		
Utilities (Gas & Electricity)	\$36 620	0 6%						
Rental of Building & Equipment	\$358 654	5 8%						
Maintenance of Building & Equipment	\$55 170	0 9%			\$160 848	0 5%	\$212,473	10 5%
Equipment					\$672 777	1 9%	\$325,215	16 2%
Postage & Freight	\$19 500	0 3%			\$199 934	0 6%		
Printing and Binding	\$16 368	0 3%			\$114 900	0 3%		
Other Insurance	\$2 357	0 0%						
Communication (Including Adv)	\$57,904	0 9%			\$404 906	1 2%		
Equipment Purchase - Automobiles	\$0				\$353,528	1 0%		
Equipment Purchase - Other	\$114 891	1 9%			\$112 167	0 3%		
Travel Expense	\$92 607	1 5%	\$112	1 0%	\$479 971	1 4%	\$30,108	1 5%
Supplies and Materials	\$92,074	1 5%	\$270	2 5%	\$537 746	1 5%		
Payroll Related Costs			\$849	7 8%			\$446,452	22 0%
Other Expenses			\$932	8 6%	\$1 915 296	5 5%	\$152,957	7 6%
Imprest Cash					\$92 500	0 3%		
Legal & Professional Services			\$451	4 2%				
Heavy Repair of Offices							\$440,860	21 6%
Miscellaneous Expenses	\$47 774	0 8%						
TOTAL	\$6,207,087	100 0%	\$10,844	100 0%	\$34,849,995	100 0%	\$2,023,173	100 0%