

State of Wisconsin

PUBLIC SERVICE
COMMISSION

BIENNIAL REPORT

July 1, 1969 to June 30, 1971

William F. Eich
Chairman

Arthur L. Padrutt
Commissioner

Michael P. Komar
Commissioner

John F. Goetz
Secretary

F O R E W O R D

This biennial report covers the program scope, objectives, and accomplishments of the Public Service Commission for the period from July 1, 1969 to June 30, 1971, and contains information with respect to matters under the Commission's jurisdiction which it deems proper to submit in compliance with section 15.04(4), Wisconsin Statutes, as to biennial reports.

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PUBLIC SERVICE COMMISSION OF WISCONSIN

PERSONNEL

William F. Eich, chairman
Arthur L. Padrutt, commissioner
Michael P. Komar, commissioner
John F. Goetz, secretary

Administration Division

John F. Goetz, administrator

Management Services--Stanley B. Nebel
Filing--Francesca A. di Lorenzo

Transportation Division

William R. Brumfield, administrator
Judd H. Justesen, assistant administrator

Tariffs--Lester L. Dietrich
Statistics and Reports--Glen L. Derge
Motor Carrier Authorities--Miles F. Fenske

Legal Division

William E. Torkelson, chief counsel

Engineering Division

Ralph E. Purucker, chief engineer
William A. Kuehlthau, assistant chief engineer

Project Review--William A. Kuehlthau
Service and Safety--Clarence F. Riederer
Railroads--Rex A. Montgomery
Property Records--John E. Rosecky

Accounts and Finance Division

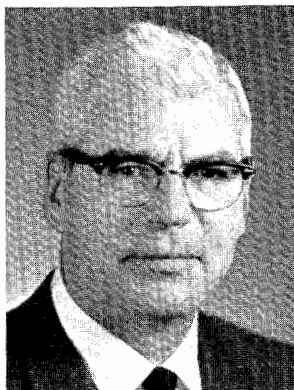
Frederick C. Huebner, administrator
Joseph R. Brady, assistant administrator

Rates and Research Division

Orville P. Deuel, administrator
Robert G. Dudley, assistant administrator



CHAIRMAN WILLIAM F. EICH was appointed to the Commission in 1971 for a six-year term expiring in 1977 and was appointed Chairman of the Commission by Governor Patrick J. Lucey. Mr. Eich received a Bachelor of Arts degree from Beloit College and was graduated from the University of Wisconsin Law School in 1963, where he has also served as a lecturer on Land Use Law. He served as Assistant Attorney General of the State of Wisconsin in the periods 1965-68 and 1969-71 and as Deputy Attorney General in 1968-69. During this time he was Counsel for the State in major water and natural resources cases. In the 1966-71 period, he was a member of a number of committees including the Natural Resources Council of State Agencies and the Great Lakes Compact Commission, and the Pollution Committee of National Association of Attorneys General. He is also a member of the Executive Committee of the Great Lakes Conference of Public Utilities Commissioners.



COMMISSIONER ARTHUR L. PADRUTT, first appointed to the Commission in 1956 to fill an unexpired term, has since been reappointed for three six-year terms. Appointed Chairman by Governor Knowles in 1965, he served in that capacity until June 1971. His present term as a member of the Commission will expire in 1975. He received a Bachelor of Science degree from Wisconsin State University, Eau Claire, and was graduated from the University of Wisconsin Law School. He is a member of the Wisconsin State and Dane County Bar Associations. Beginning in 1940, Mr. Padrutt served four consecutive terms as a member of the Wisconsin Assembly for Chippewa County and two terms in the Wisconsin State Senate. Since 1960, he has been a member of the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), and has served as Chairman or member of several NARUC committees. In 1971, he was elected first vice president of NARUC. In 1961-62, he was president of the Great Lakes Conference of Railroad and Utilities Commissioners and in 1967-68 of the Midwest Association of Railroad and Utilities Commissioners.

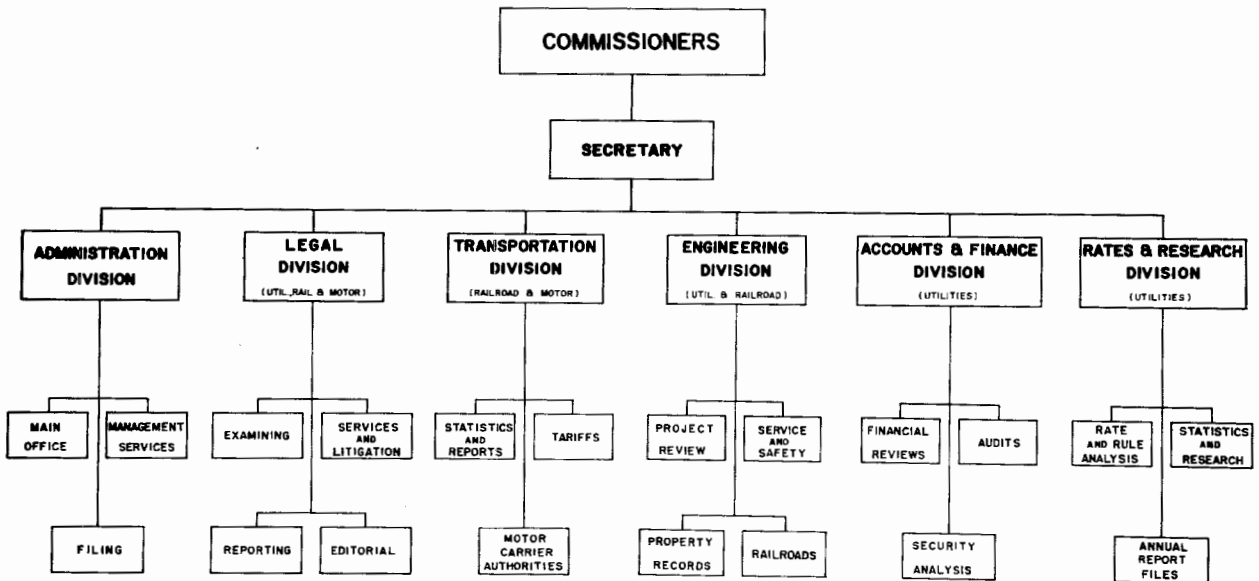


COMMISSIONER MICHAEL P. KOMAR was appointed to the Commission in February 1969 to fill an unexpired term ending in 1973. Mr. Komar has a long history of industrial management working for several large steel companies. Prior to his appointment to the Commission, he was General Manager of Sales at Inland-Ryerson Construction Products Company in Milwaukee. Mr. Komar is serving on the Executive Committee of the Midwest Association of Railroad and Utilities Commissioners and is a member of the National Association of Regulatory Utility Commissioners Committee on Public Relations.



JOHN F. GOETZ, Secretary of the Commission, is a graduate of the University of Wisconsin School of Commerce. He has been a member of the Commission staff since 1933 and was Supervisor of the Management Services Section of the Commission from 1941 to 1963. He is a member of the Subcommittee of State and Federal Secretaries of the Committee on Administration and Personnel of the National Association of Regulatory Utility Commissioners.

ORGANIZATION CHART
OF
PUBLIC SERVICE COMMISSION OF WISCONSIN



The PUBLIC SERVICE COMMISSION is composed of three full-time Commissioners, appointed by the Governor and confirmed by the Senate, a secretary, and a staff of 133 full-time budgeted positions.

DIVISIONS OF THE COMMISSION

For the efficient conduct of its business, the Commission staff is divided into six divisions, each with the following program assignments:

Administration Division

The Main Office operates as the administrative and general information bureau of the Commission. All matters to be presented to the Commission, formal action taken or instructions given are cleared through this office.

The Management Services Section prepares monthly and annual assessments of regulatory expense against the utilities or railroads involved, prepares budgets and payrolls, audits expenditures, collects and deposits receipts, maintains records of the Commission finances and personnel, coordinates travel of staff members, and purchases, issues and inventories equipment and supplies.

The Filing Section maintains all files and records of the Commission's work except finance and personnel, employs a follow-up system on files and correspondence, and handles mailing and distribution of Commission notices and orders.

Legal Division



WILLIAM E. TORKELOSON has been Chief Counsel and administrator of the Legal Division since August 1949. Prior to that, he was an Assistant Attorney General of the State of Wisconsin for five years. He is a member of the Natural Resources Council of State Agencies; of the Gas Subcommittee, Public Utility Section, of the American Bar Association; and of the Staff Subcommittee of the Gas Committee of the National Association of Regulatory Utility Commissioners.

The Legal Division offers legal advice and suggested procedure to the Commission and staff with respect to pending Commission matters, and represents the Commission in proceedings in Circuit Court for Dane County and the Supreme Court of Wisconsin, as well as other courts, and before federal agencies.

Public hearings are scheduled after selecting a specific date and place for each case. An attempt is made to set each hearing at a time and place most convenient to the parties and the public, consistent with a most efficient utilization of staff time and travel expense. The hearing examiner conducts the proceeding and a stenographic reporter records verbatim testimony for preparation of the transcript.

The work of editing the opinions and decisions and preparation of copy for printing an annual volume is performed in the legal division as well as proofreading, indexing, and other like tasks needed to turn out the completed publication.

Transportation Division



WILLIAM R. BRUMFIELD has been administrator of the Transportation Division since January 1, 1967. He is a member of the Mass Transit Study Advisory Committee of Milwaukee and of the Transportation Advisory Committee of the Public Service Commission. Mr. Brumfield is also Chairman of the Rates and Services Committee of the National Conference of State Transportation Specialists.

The Statistics and Reports Section of the Transportation Division analyzes railroad and motor carrier costs and maintains files of general statistical data relating to transportation. It prepares accounting, statistical and general economic data for use in matters before the Commission and the Interstate Commerce Commission, audits books and reports of motor carriers and designs reporting forms and systems of accounts for motor carriers.

The Tariffs Section investigates transportation rates and fares of express, truck, and bus lines, and electric and steam railroads; maintains a complete file on freight tariffs and passenger fares; participates in Interstate Commerce Commission rate proceedings; investigates telegraph rates; and audits freight bills upon request.

The Motor Carrier Authorities Section handles motor carrier inquiries and preliminary work in connection with motor carrier authorities and maintains liaison with other sections of the Commission and state departments involving motor carrier regulations; makes routine investigations of the records and investigates complaints and inquiries relating to the service of motor carriers and rental companies; centralizes and coordinates motor carrier functions.

Engineering Division



RALPH E. PURUCKER, Chief Engineer, has been administrator of the Engineering Division since May 1, 1963 and a member of the staff since 1926. He is a member of two National Association of Regulatory Utility Commissioners committees: Utility Cost Allocations and Committee on Engineering, Depreciation and Valuation; a member of four American Standards Association committees: Committee on National Electric Safety Code, Committee on Interpretation of Electric Code, Committee on Electricity Metering, and Pole Strength Committee; a member of Federal Power Commission Committee on Bulk Power Supply of the Upper Mississippi River Comprehensive Basin Study Committee, of the Wisconsin Committee to Evaluate

Sanguine Problems and of the Legislative Council Committee on Nuclear Energy. He is also a member of an American Society of Mechanical Engineering Conference Group. He is also a life member of the Institute of Electrical and Electronics Engineers.

The Engineering Division provides professional engineering services for the Commission in utility and transportation matters.

The work includes valuations of utility property for rate, security issue, and acquisition purposes; establishment of continuing property records of utility property for use by the utilities and the Commission in many regulatory matters; investigations of complaints and inquiries concerning, and periodic inspections of, telephone, gas, electric, and railroad service, as well as the safety of electric and gas lines and equipment; investigations of railroad safety matters such as closing, establishing (at grade or separated) or improving protection at, highway-railroad crossings, vertical and horizontal railroad clearances, switch lamps, and brush and snow removal on railroad right-of-way; and investigations of utility applications to add facilities, to make interconnections, and to integrate operations.

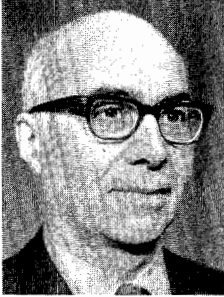
Accounts and Finance Division



FREDERICK C. HUEBNER, a Certified Public Accountant and a member of the American Institute of Certified Public Accountants has been with the Commission staff since 1952. After serving as assistant administrator of the Accounts and Finance Division for 7 years, he was appointed administrator in September 1966. He is a member of the National Association of Regulatory Utility Commissioners staff Committee on Accounts and staff Committee on Communication Problems and is Chairman of the latter group's Subcommittee on Manufacturing and Service Affiliates of Telephone Utilities.

This division audits the books, accounts, records and annual reports of electric, telephone, gas, water and sewer public utilities. Uniform systems of accounts and interpretations and annual report requirements are prescribed for all classes of utilities. In connection with rate proceedings, recommendations are made to the Commission following special studies on cost of capital, revenue requirements and rate of return. Applications of utilities for authority to issue stocks, bonds and all other forms of securities are investigated. The division assists utilities in establishing accounting systems and procedures; analyzes construction expenditures for continuing property record accounting; investigates proposals of utilities to purchase, consolidate or merge other utility companies; and investigates financial arrangements between utility affiliated interests which require Commission approval.

Rates and Research Division



ORVILLE P. DEUEL, the administrator of the Rates and Research Division, has been head of the division since November 1, 1961, and previously served as a rate analyst in the division for 19 years. He is a member of the Education Committee of Natural Resources Council of State Agencies.

The Rates and Research Division investigates and recommends rates and rules and analyzes costs of telephone, electric, gas, sewer and water utilities; prepares technical reports and recommendations in connection with formal utility cases and investigates complaints involving utility rates and rules and extension of service to prospective customers in the existing territory of utilities. The division also investigates applications of electric utilities to extend rural distribution lines; collects, analyzes, and furnishes information and financial and economic data on the utility industry; and maintains a file of electric, telephone, gas, sewer and water rates.

HISTORY--JURISDICTION

Created in 1874, the WISCONSIN RAILROAD COMMISSION was initially concerned with railroad freight rates and rebates. Though not renamed PUBLIC SERVICE COMMISSION OF WISCONSIN until 1931, the Commission began vigorous regulation of the service, rates, and accounting practices of all utilities and street railways under Wisconsin's Public Utility Act of 1907, an Act which served as a model for many other states. A comprehensive truck and bus regulation law (Motor Carrier Act) was enacted in 1933, though common motor carriers had been added to Commission jurisdiction in 1927. Today, its regulatory powers and duties include the rates and service of:

- 4 common carriers of passengers or property by water
- 291 common motor carriers of passengers and property
- 15,641 contract motor carriers of property
- 105 electric utilities (86 are municipal)
 - 1 express company
- 18 gas distribution utilities (1 is municipal)
- 3 heating utilities
- 1 railroad (electric)
- 16 railroads (other than electric railways)
- 118 sewer utilities (combined with water utilities)
 - 1 telegraph company
- 123 telephone utilities
- 487 water utilities (472 are municipal)

I N T R O D U C T I O N

Regulation of utilities

The Public Service Commission is an independent regulatory agency. The Commission's jurisdiction, its powers and duties, are delegated to it by the Wisconsin Legislature and are administered in a quasi-judicial manner.

The basic legal philosophy of regulation stems from earlier common law which recognized that certain businesses having a great impact on the daily lives of the people, in the absence of competition, were in fact impressed with a public duty and that it was necessary in the public interest, to control the rates and services of these enterprises.

"Clothed with a public interest," as many a court decision has phrased it, public utilities are considered "natural monopolies." Since competition would involve wasteful duplication of millions of dollars of capital investment in plant, it is to the advantage of consumers and the community at large that electric, gas, telephone, and water utilities operate as regulated monopolies within specified service areas.

According to Wisconsin Statutes, it is the duty of the Public Service Commission to "supervise and regulate every public utility in this state" to the end that "reasonably adequate service and facilities" be available at "rates that are reasonable and just." The basic goal of the Commission is to carry out this mandate.

In the 63 years since the enactment of Wisconsin's Public Utility Act of 1907, utilities and the use of their services have changed drastically. New industries have been developed and have flourished. The Commission has had to cope with problems peculiar to a war economy; to depression and inflation; to varying degrees of federal jurisdiction over utilities; to an increasing tax load; and to the varying problems associated with growth and change.

UTILITY WORK LOAD	
July 1, 1969 - June 30, 1971	
684	formal cases opened
516	hearings held
836	orders issued
2,626	informal cases processed
1,066	field investigations (engineering)
1,408	standards laboratory tests

In addition to the tabulated workload, there is work of a continuing nature, such as review and audit of the financial and operating reports required of utilities, continuing inventory studies, and statistical reports (the Commission is extending its use of computerized data)--all providing information valuable in applying such statutory standards as "reasonably adequate" or "reasonable and just" to specific cases.

Person to person--Consumer service

The utility consumer who has any inquiry or complaint concerning utility service or rates may contact the Commission staff directly, either by mail or telephone. The Commission has established special telephone arrangements, under the listing Consumer Service - Utilities. Persons calling this number (608-266-7332) reach experienced personnel who will either directly respond to the specific inquiry or complaint, or will institute such investigation as may be necessary. In most instances, complaints are resolved by informal investigation and the consumer is informed of the results.

Formal proceedings

Complaints not resolved informally and petitions or complaints filed by a group of persons are normally scheduled for public hearing and formal investigation followed by formal order, as are also utility applications for authority to make major plant additions. A formal proceeding may be instituted by the Commission on its own motion. When proposed utility rate revision includes any increase in rates to any customer, Wisconsin Statutes require that public hearing be held and a formal order issued.

Utility Rates--1969-'71 biennium

The previous biennium saw the end of the era in which advantages of high volume use (efficient use of plant and lower unit costs) offset increasing expenses of electric and gas utilities. As in several of this biennium's orders granting rate increases, the Commission noted in a September 12, 1969 order, that

In considering the request herein for changes in rates...we are mindful at this time of the increase in cost of utility operations, as well as the heavy construction programs necessary to meet the ever growing demand for service. In addition, the financing problems to be faced are complicated severely by high interest rates, changing tax structures and uncertainty in the capital market resulting from current inflationary pressures.

(54 PSCW 415-6)

Public utility rates must be low enough to provide that adequate service will be economically available to everyone, yet high enough to cover the cost of furnishing service. In that cost, consideration must be given to the legal right of the public utility to a reasonable and just return on its invested capital.

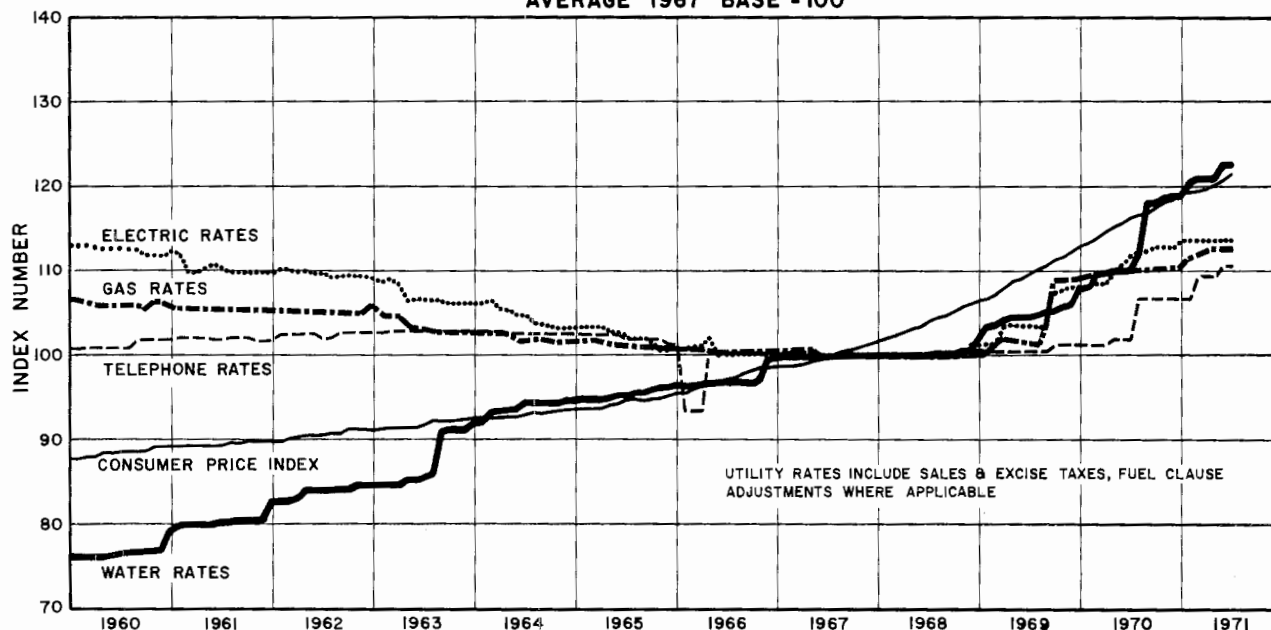
Balancing these respective rights calls for a very thorough investigation of the operation, expenses, and revenues of a utility applying for a rate

increase. The unusual number of rate proceedings in this biennium imposed a heavy workload on the Commission. Financial reports of the utility are carefully studied, as are the proposals and exhibits of the utility. Staff exhibits are prepared and introduced into the proceeding which requires many hours of public hearing. Transcripts of testimony given or entered at the hearings are often hundreds of pages long.

In some cases, an emergency interim increase in rates was found necessary to prevent deterioration of the level of earnings during the time it took the Commission to make a thorough investigation of the applicant's condition and hold hearings to determine final rates.

PUBLIC UTILITY RATES AND THE COST OF LIVING

AVERAGE 1967 BASE = 100



It is interesting to note that the temporary reduction of the Federal excise tax from 10% to 3% is responsible for the dip in telephone rates early in 1966 and that the initial application of Wisconsin sales tax (4%, effective September 1969) is reflected in the precipitate rise in electric and gas rates.

Generally in dockets involving rate relief applications of the major utilities, a two-part procedure was utilized. In the first phase, after public hearing, the Commission determined the overall revenue requirement of the applicant utility. This phase of the case involved consideration of operation and maintenance expenses, depreciation, taxes, and return on net investment rate base to provide funds for payment of interest on debt, dividends on preferred stock, and an earning allowance on common stock equity. The second phase involved consideration of rate schedules subsequently proposed by the utility to cover the authorized revenue requirement. After investigation and public hearing, a supplemental order was issued authorizing specific rates for the utility service to various classes of customers.

There were also several instances in which increases in operating costs, depreciation expense, taxes, or interest rates required a "make-whole" Order to maintain the return on equity capital and on net investment rate base established as "just and reasonable" in an earlier Order.

Utility Rate Increases Authorized
July 1, 1969 - June 30, 1971

<u>Type of Utility</u>	<u>Number of Utilities</u> (a)	<u>Amount Requested*</u> (b)	<u>Amount Granted</u> (c)
Electric	31	\$25,939,054	\$15,049,530
Gas	14	16,878,920	9,884,800
Telephone	51	33,959,574	23,611,112
Water	132	10,645,675	9,513,946
Sewer	<u>37</u>	<u>402,859</u>	<u>393,747</u>
Totals	<u>265</u>	<u>\$87,826,082</u>	<u>\$58,453,135</u>

* Amount requested includes the amount granted for utilities in which no specific amount was requested in their application.

Utilities--Securities

The cost of debt capital to privately owned Wisconsin utilities continued to increase during the biennium following the national trend with respect to interest rates. The yield on new utility bond issues has increased from 4.7% in 1965 to 5.6% in 1966, 6.0% in 1967, 6.8% in 1968, 7.95% in 1969, 9.39% in 1970, and 7.52% for the first six months of 1971. This is illustrated in the table below showing, by quarters of the fiscal years of the biennium, the composite cost of Wisconsin utilities' actual debt issues in excess of \$100,000. It should be noted that in this period bond interest rates reached the highest point in almost a century.

Bond Interest Rates		
<u>Period</u>	<u>Year Ended June 30</u>	
	<u>1970</u>	<u>1971</u>
1st quarter	8.43%	9.25%
2nd quarter	8.55	9.53
3rd quarter	-	7.30
4th quarter	8.95	8.27

Costs of preferred stock capital used in increasing amounts during the biennium by major Wisconsin public utilities have also increased. The increased cost of equity and debt capital required to construct facilities to meet the service requirements of Wisconsin consumers has been a significant

factor in the increasing number of applications for higher rates for both investor-owned and municipally owned public utilities.

Under Wisconsin law, a public service corporation must obtain Commission approval before it can issue securities. In general, public service corporations, as defined in section 184.04, Wisconsin Statutes, include privately owned public utility corporations, but not municipally owned utilities. The volume of securities authorized by the Commission in this biennium was near the volume for the previous biennium, which was greater than for any previous period. About 95% of the proceeds of authorized securities were used to finance construction of utility plant facilities. In the coming years as debt securities issued subsequent to World War II mature, an increasing number of security applications before the Commission will involve refunding of low-interest-rate issues at the much higher going level of current interest rates.

Securities Authorized
July 1, 1969 - June 30, 1971

<u>Type of Security</u>	<u>Par or Face Value</u>	<u>Proceeds</u>	
		<u>Amount</u>	<u>%</u>
Common Stock	\$ 51,891,835	\$ 58,510,763	12.68%
Preferred Stock	45,000,000	45,000,000	9.75
Bonds and Other Debt	<u>359,238,000</u>	<u>358,018,590</u>	<u>77.57</u>
Total	<u>\$456,129,835</u>	<u>\$461,529,353</u>	<u>100.00%</u>

Under the provisions of Chapter 411, Laws of 1969, amending section 184.01(3), Wisconsin Statutes, jurisdiction of the Commission with respect to securities of public service corporations was extended to require Commission authority for issues of evidences of indebtedness maturing less than one year from date of issue exceeding 5% of par value of securities of the public service corporations covered by such amendment. In addition to the long-term securities authorized as set forth in the table above, the Commission during the last year of this biennium, authorized amounts of short-term indebtedness outstanding of not more than \$263,500,000.

Utilities--Depreciation

The Commission is empowered to certify annual depreciation rates for the individual classes of property utilized by the various utilities in providing utility service. Determination of certified depreciation rates is based on periodic studies of the service life characteristics of the various classes of property and utility experience in utilizing such property in its operations. The depreciation allowance computed through use of certified depreciation rates is recorded in the utility's accounts and is used by the Commission in proceedings involving rates for service.

During this biennium, a formal investigation (generally performed at five-to-ten-year intervals) of depreciation rates for each Class A and B electric, gas, and water utility was completed. Formal reviews of depreciation

rates for Class A and B telephone utilities (usually performed at three-to-five-year intervals) were conducted for various utilities during the biennium. Depreciation rates of smaller utilities are continuously reviewed in connection with audits of annual utility reports and as changing conditions indicate the need for revised annual depreciation rates.

Utilities--Uniform System of Accounts

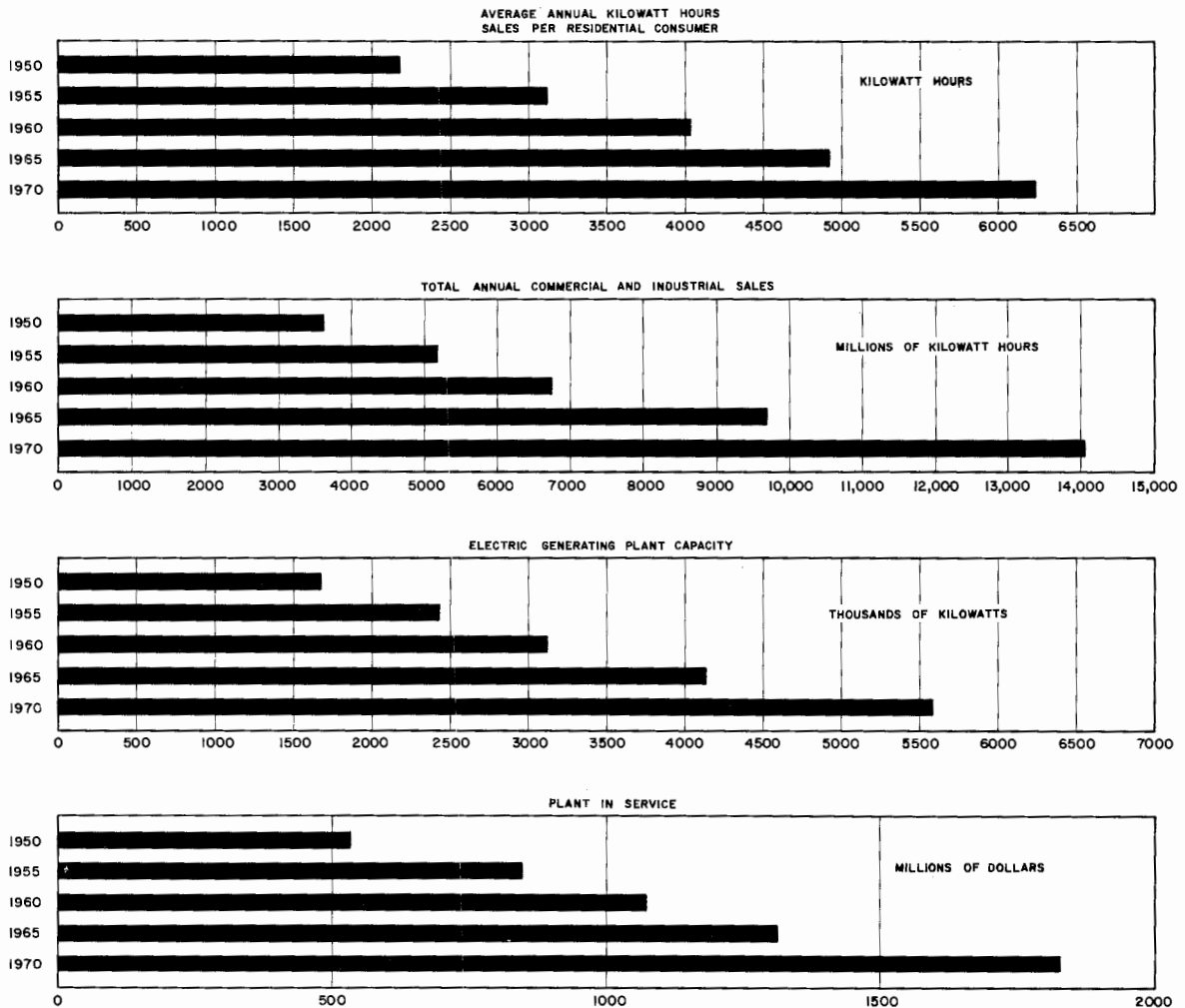
The Commission is required to prescribe uniform systems of accounts to be used by public utilities in maintaining their financial records. The Commission has utilized, with modifications, uniform systems of accounts for electric, gas and water utilities as adopted by the National Association of Regulatory Utility Commissioners. The Commission, through this organization, is participating in studies to revise the electric, gas, and water utility System of Accounts in view of changing conditions. Consideration is being given, for example, to possible changes which may be necessary in the Uniform System of Accounts to accommodate the introduction of nuclear-fueled steam generating plants.

Right Now--Here

The need for electric power is a right-now and right-here demand. Planning and construction for increasing use (estimated to be doubling every 10 years) is greatly complicated by peak demand. While the bar charts, below, show two decades of impressive advances in kilowatt capacity (supply potential) and in use (kilowatt-hours), there is no picture of peak demand--such as those unpredictable hot-hot days when all air conditioners are humming.

Aptly illustrating how our standard of living, our notion of "adequate service" assumes electric power when and where we want it, all air conditioners were humming during a period of extremely hot weather in 1970. During certain hours of the three or four days of that period of peak demand, one Wisconsin utility imposed voltage reductions of as much as 5%. An earlier order of the Commission had delineated procedures for restricting service. Other

WISCONSIN ELECTRIC UTILITIES



utilities also reduced voltage during that brief period, but no serious effects were reported and no blackouts occurred. Outages in a limited area, due to severe storms or other causes, were of short duration.

New plant--Authorizations

Wisconsin electric utilities continue to plan and construct facilities to meet mounting demand--and peak demand. During the biennium, the Public Service Commission issued 53 Certificates of Authority for construction of plant estimated to cost \$182,519,141 (17 Supplemental Certificates authorized a total increase of \$6,128,266 in cost estimates). These 53 Certificates included the Wisconsin Power and Light-Wisconsin Public Service Corporation-Madison Gas and Electric jointly owned \$131,369,000 fossil-fueled plant (capacity, approximately 525 megawatts) in Columbia County, near Portage. The same three companies were each certificated to construct combustion turbine electric generating plants, individually owned, with total capacity of 100 megawatts.

Authorization of the jointly owned Columbia plant was conditioned on the utilities obtaining all necessary authorizations from other governmental authorities, including the Wisconsin Department of Natural Resources in regard to relocation of Duck Creek in the ash disposal area; and the withdrawal and return of water from and to the Wisconsin River. The Public Service Commission ordered that various measurements and reports be made in regard to air pollution and air pollution control. The controversy over the environmental effects of this plant was continuing before the Department of Natural Resources at the time this report was being prepared.

Pollution abatement equipment--Plant

A March 5, 1971 Certificate (CA-5190) authorized the installation of precipitators and ash-handling facilities, estimated to cost \$2,206,154, at Wisconsin Public Service Corporation's Weston plant where emission of solids into the air exceeded the limits set forth in rules of the Department of Natural Resources. Installation, scheduled to be completed for Boilers Nos. 1 and 2 by September 1971 and September 1972, respectively, cannot be completed before these dates, because these two generating units are essential to meet power demands. Generating capacity of the Corporation and interconnected utilities is quite critical at this time and will remain critical until several large generating units now under construction are in operation.

Essentially all electric utilities in Wisconsin with generating facilities are proceeding with plans for various types of precipitators or changes in fuel so that generating plants will comply with the Department of Natural Resources requirements as to air pollution.

As of the end of the biennium, no figures were available on the decline in the use of natural gas for the generation of electric energy, though doubtless, gas service on an interruptible basis is more frequently interrupted in some cases. Certainly, with the shortage of natural gas,

which has been utilized to reduce pollution problems, plant conversion from coal is now diverted to oil. Under present standards, there is no air pollution associated with the use of oil as compared to coal, but possibly, when regulations are established for the control of sulfur and sulfur oxides, high sulfur oil may present problems.

Individuals attending the hearing on Wisconsin Electric Power Company's application for a make-whole rate increase contended that any rate increase authorized should be conditioned upon the utility's eliminating the air pollution problem at its Oak Creek plant. The Commission noted that it is

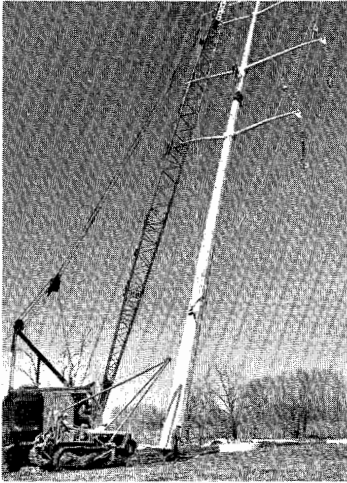
called upon to administer certain specific statutes and has no power to impose any requirements in excess of statutes which it has been given the responsibility to administer. The basic purpose of the Public Utility Law is to achieve a condition whereby every public utility provides reasonably adequate service and facilities at reasonable and just rates...that the utility... have plant and facilities not only needed to adequately supply the service demands of existing customers but also those which will be imposed in the future....

....It is believed that the vast majority of thoughtful and responsible persons realize that every possible effort must be made to preserve the environment to the greatest extent possible consistent with the demands placed on it by existing and future population. The Wisconsin Legislature has been aware of the situation and has enacted statutes giving the Department of Natural Resources, at the state level, and County boards at the local level, powers to take appropriate action with respect to various forms of environmental pollution. Sections 144.01 et seq, 144.30 et seq, and 59.07(53) and (85), Wis. Stats., are cited.

(Six units of the Oak Creek plant have been converted to 99+% effective electrostatic precipitators. The nature of the two remaining units, having a total generating capacity of 550,000 kilowatts, is such that they must be shut down completely over several months to accomplish the changeover. Because of reduced electric capacity reserves in the Midwest, these two units will be unavailable for conversion outages until additional generating capacity is provided to insure continuing reliable service.)

The discussion also mentions Chapter 206, 1969 Laws of Wisconsin and U.S. Tax Reform Act of 1969 as granting certain tax exemptions, under specified conditions, for pollution abatement equipment. (2-U-6702--March 24, 1970).

New sky-gray steel power poles were used on 14-mile portion of a new 345,000-volt transmission circuit through residential and commercial sections of Milwaukee and Ozaukee Counties. The line was installed as part of a transmission system providing additional power routes from Point Beach Nuclear Plant.



Extra-high-voltage lines
Interconnections--Power pools

As of June 30, 1971, 593.9 miles of extra-high-voltage (EHV) line were in operation in the state, with an additional 186.7 miles under construction or authorized. (In the industry, EHV applies to line voltage over 230 kv., including lines of 500 kv., and possibly 750 kv. The only EHV lines now in Wisconsin are 345-kv. lines.)

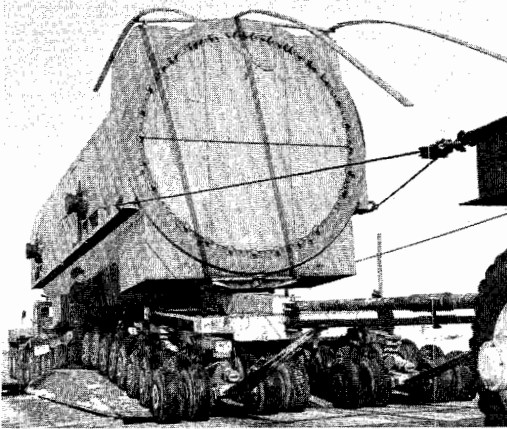
The biennium's Certificates of Authority also included installations associated with 11 new interconnections, at various voltages, between the systems of Wisconsin electric utilities and between utilities and Dairyland Power Cooperative.

Interconnection of the facilities of major electric utilities in furtherance of national power policy is the keystone of coordinated operation, planning and construction agreements of several power pools now operative in Wisconsin. Mid-America Interpool Network (MAIN) operating in 9 midwestern states has 23 member utilities including 6 Wisconsin utilities. Three Wisconsin utilities and Dairyland Power Cooperative are members of Mid-Continent Area Power Planners (MAPP) which operates in 10 states and the province of Manitoba.

Benefits accruing to the members of these "mutual assistance pacts" and to their customers include increased reliability of service, lower cost of service achieved by assistance during emergencies to prevent blackouts, greater flexibility in removing generating units from service for required maintenance, and exchange of blocks of energy.

A new power pool, Wisconsin Upper Michigan System (WUMS) has been formed by the two owners of the Point Beach Nuclear Plant, the three owners of the Kewaunee Nuclear Plant and an Upper Michigan company. After studies by WUMS, construction of a 103-mile, 345-kv. transmission line was authorized. The estimated cost of \$8,078,200 of the line extending from Point Beach to Granville will be shared by the co-owners of the Point Beach Plant.

NUCLEAR POWER electric generating stations were authorized previous to this biennium. Unit No. 1 of the Point Beach Plant (rated capacity, 455 megawatts) went into commercial operation December 21, 1970, and up to June 30, 1971, the end of the biennium, had generated 1,501,502,000 kilowatt-hours of electricity.



The 730,000-pound generator stator for the 497,000-kilowatt Unit No. 2 at Point Beach Nuclear Plant was moved to the plant site near Two Creeks, Wisconsin, on multiple sets of aircraft wheels.

Recent reports indicate that Unit No. 2, scheduled to be in service in the latter part of 1971, has been substantially completed. However, fuel loading operations have been delayed as a result of intervention in the license application procedure before the Atomic Energy Commission by groups concerned with the environmental effects of the plant operation. It now appears likely that operations will not be commenced earlier than late 1972. As to the Kewaunee plant, scheduled for operation late in 1972, construction is believed to be on schedule, but new and additional safety and environmental requirements may delay the in-service date.

Sale of electric utilities--Cooperatives

As in the past, there were numerous instances of a utility selling short sections of line and associated equipment to the municipal utility which it was serving wholesale, when the line was in an area recently annexed to the municipality.

Three electric utility systems were absorbed or changed ownership. The West Dunkirk Electric Company was sold to Stoughton Municipal Electric Utility. The other two transactions involved acquisition by a cooperative.

The Readstown Municipal Electric distribution system was sold to the Vernon Electric Cooperative. The LaValle Electric Utility, a private system, entered into an agreement to lease for 10 years and then to sell its system to the Oakdale Cooperative Electric Association.

Under Wisconsin Statutes, an electric cooperative is not a utility and therefore not subject to the regulatory jurisdiction of the Public Service Commission, except under 196.495, Wis. Stats., as it applies to extension of service and facilities. As the orders in 2-U-6909 and 2-U-7015 point out, the Commission's jurisdiction over the rates and service in the service area of an electric public utility is not extinguished by the public utility's being purchased by a cooperative whose rates and service to its members only are not subject to regulation by the Commission.

Anti-Duplication Law

An unusual number of right-to-serve disputes arose during the biennium. The issue in such proceedings was the application of section 196.495(1), Wis. Stats., which in substance prohibits extension of electric service

under circumstances as stated in the statute, to the premises of a person already receiving electric service directly or indirectly from a cooperative or utility.

A public utility that had provided electric service to a farm, sought a ruling that would permit it to serve a new home built on the farm. The home was being served by a cooperative through a primary extension in excess of 500 feet. The Commission ruled in favor of the utility which could provide service through a 150-foot secondary voltage extension, and ordered the cooperative to discontinue its service. (DR-45--January 22, 1970)

In another case (DR-40--February 25, 1971), the Commission ordered a utility to remove its facilities and discontinue service to a farm that, since 1946, had been served by an electric cooperative.

An October 3, 1969 Declaratory Ruling (DR-44) held that either Adams-Marquette Electric Cooperative or Wisconsin Power and Light Company could lawfully furnish electric service to Lakehead Pipe Line Company, Inc., and the certificate authorizing the utility to construct facilities to serve the pipeline company (CA-5077--October 3, 1969) were affirmed in the Circuit Court for Dane County and the Wisconsin Supreme Court. (51 Wis. 2d 718)

Declaratory Rulings in DR-42 and DR-43, issued July 29, 1969, ruled that Wisconsin Power and Light Company is entitled to continue, and Madison Gas and Electric Company is precluded from extending electric service to the 100-acre tract being developed as West Towne Shopping Center. The tract is comprised of a farm and a portion of a farm having previously received electric service from Power and Light. Reversed in Circuit Court for Dane County, the case was appealed to the Wisconsin Supreme Court, which affirmed the Circuit Court judgment and remanded the cause for further Commission proceedings consistent with its opinion. (51 Wis. 2d 718)

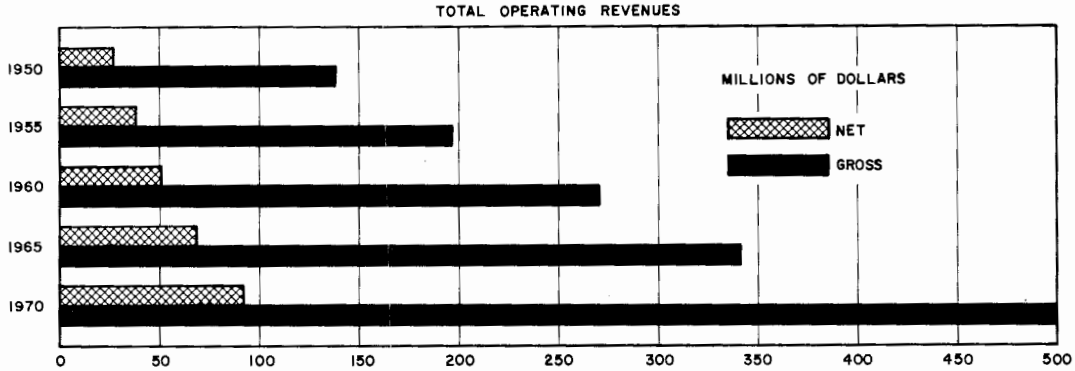
A petition for review has been filed in Circuit Court for Dane County in Head of the Lakes Electric Cooperative Association contesting a June 3, 1971 Declaratory Ruling (DR-51) that electric service may lawfully be furnished Lakehead Pipe Line Company, Inc., by Superior Water, Light and Power Company.

The Wisconsin Supreme Court also construed section 196.495 in its December 19, 1969 decision in Wisconsin Power and Light Company v. Public Serv. Comm. wherein it affirmed the Dane County Circuit Court's dismissal of the proceeding on the ground that the utility was not "a party aggrieved" by the Commission's July 1, 1968 Order in CA-4898. The Commission had authorized Richland Center municipal electric utility to construct plant to interconnect with, and purchase power from, Dairyland Power Cooperative. (45 Wis. 2d 235)

Rates--Resale rates

In spite of several rate increases during the biennium, electric utilities still have rates well below the cost-of-living line, as indicated by the graph on page 13. The economics of the utilities' requests for more revenue is discussed on pages 12-14 and need not be repeated here.

WISCONSIN ELECTRIC UTILITIES

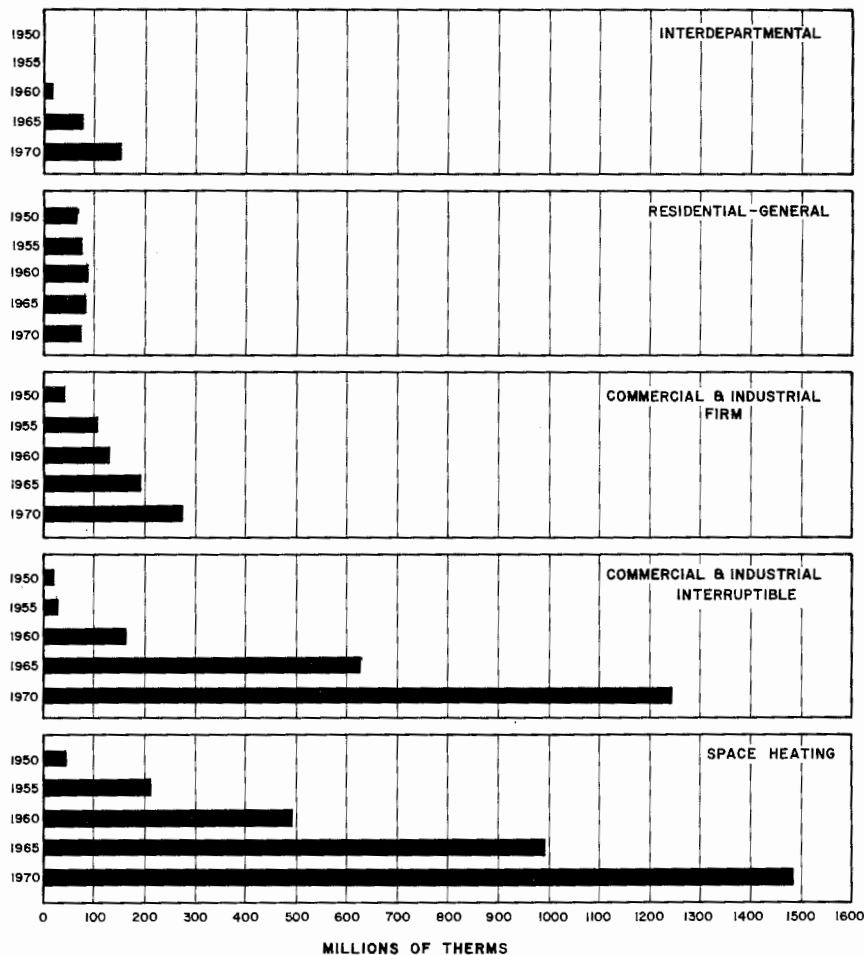


Wisconsin Electric Power Company's rules regarding resale of electric energy by customers were modified to allow primary service customers to resell electricity when the utility gives written permission to the arrangement. Previously, the company's rules had allowed resale only to other public utilities, or to customers who had (or had planned) resale distribution facilities prior to a November 29, 1962 Commission Order. There was also provision for tenants' "rent inclusion" compensation for furnished electricity. The inclusion of primary customers' resale at the utility's applicable rate is designed to make submetering available (submeters to be provided by the reseller and accuracy maintained to PSC requirements) as a convenience to shopping centers, industrial parks, and highrise buildings.

Natural gas

Though natural gas was introduced into Wisconsin in 1946, it was not until 1949-'50 that substantial quantities of gas were piped into the state. Since 1946, the number of pipeline suppliers has gone from one

**WISCONSIN GAS UTILITIES
SALES OF GAS IN WISCONSIN**



Because all residential use of gas is measured through one meter, the consumption attributed to the residential space-heating customer also includes gas used for other domestic purposes such as cooking and water heating. Therefore, the receding "Residential-General" bar in the above chart indicates not a reduction in gas used for cooking and water heating, but rather a transfer of customers to the space-heating classification when they install gas space-heating equipment.

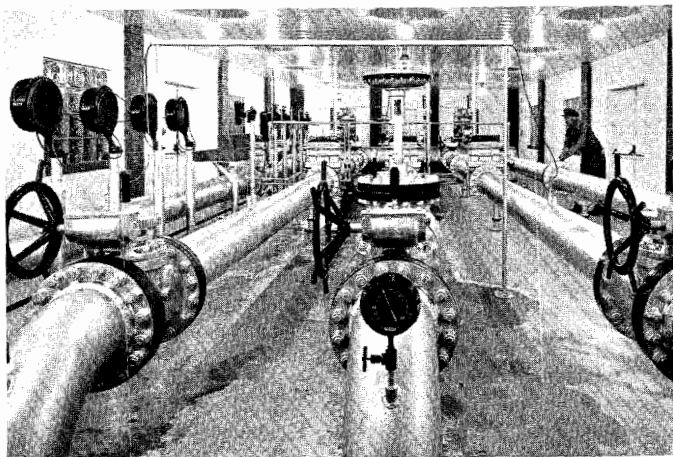
to four. Wisconsin distribution utilities have expanded plant to make natural gas available in most of the state, in some cases filing territorial agreements as to their respective service areas so that planning and installation could proceed unimpeded by disputes as to who would serve where. Use of natural gas rose sharply as the bar charts on the facing page indicate.

The 20 Certificates of Authority issued to gas utilities during the biennium authorized construction of plant, including new office-garage-warehouse buildings, estimated to cost approximately \$5,603,432. In some instances the cost estimate included construction through the fourth year of operation in a new service area.

Supply, limitations--Service curtailment

In the first of its Orders authorizing curtailment of gas utility service (2-U-6993--March 30, 1970), the Commission found that due to conditions "which could not reasonably have been foreseen by the....Company, an emergency exists which reasonably requires a temporary curtailment of the undertaking of service."

Emergency interim orders were followed by Commission investigation, public hearing and a final order. In no case was a final order authorizing curtailment of service, or a change in curtailment, issued until public hearing had been held.



At a gate station, such as above, natural gas is taken from wholesale supplier's pipeline and begins its journey through the Wisconsin utility's mains to homes of consumers in the state.

Demand for utility service was still increasing, while utilities were being advised by their pipeline suppliers that little or no increase in contract demand would be allowed for the contract year 1971-72. "In order to make the maximum amount of gas available to the maximum number of future gas customers," reads a typical Commission curtailment order, "the company is directed to forthwith place in effect limitations upon the sale of natural gas as follows:"

Basically, what "follows", varying according to the circumstances in each of the eight outstanding curtailment orders, is an authorization to refuse to accept additional loads in excess of certain specified limitations. This was done in order to have gas continue to be available for house heating

and small-volume industrial and commercial firm customers. Most distribution utilities now interrupt industrial customers during off-peak periods when formerly gas would have been available on an interruptible basis.

In two orders, the utility was authorized to refuse all new firm service, including house heating, but the curtailment of service was later relaxed in one such case to apply only to new industrial firm loads and commercial loads exceeding 2 Mc.f. per hour, on the condition that the utility-proposed propane-air, peak-shaving facilities be constructed in the service area involved.

Some utilities, having eliminated or reduced their sales promotion practices because of the natural gas shortage, anticipate a decrease in requests for new service.

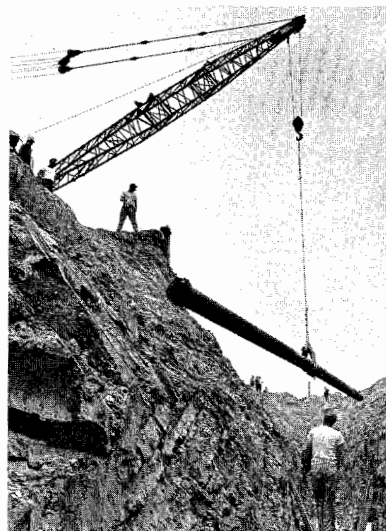
Rules and standards--Gas utility plant and operation

Under the Natural Gas Pipeline Safety Act of 1968, the Public Service Commission has entered into a payment agreement with the Federal Department of Transportation (DOT) for financial assistance in exercising safety jurisdiction over gas utility facilities in Wisconsin. To date, Federal funds in the amount of \$17,358 are obligated to this Commission.

The Commission has adopted Federal Minimum Safety Standards and is in the process of combining its existing safety standards with the DOT standards. In such important areas as corrosion control, brittle fracture of steel pipe, and operating and maintenance procedures, Public Service Commission rules are more positive than Federal standards. In addition, the Public Service Commission has agreed to act as an agent of DOT in implementing Federal Safety Standards as applied to interstate gas transmission facilities in Wisconsin.

Crews laying natural gas main extensions must have a wide scope of construction skills to cope with the variety of terrain that new pipelines cross.

Materials and installation are according to standards adopted by the Public Service Commission.

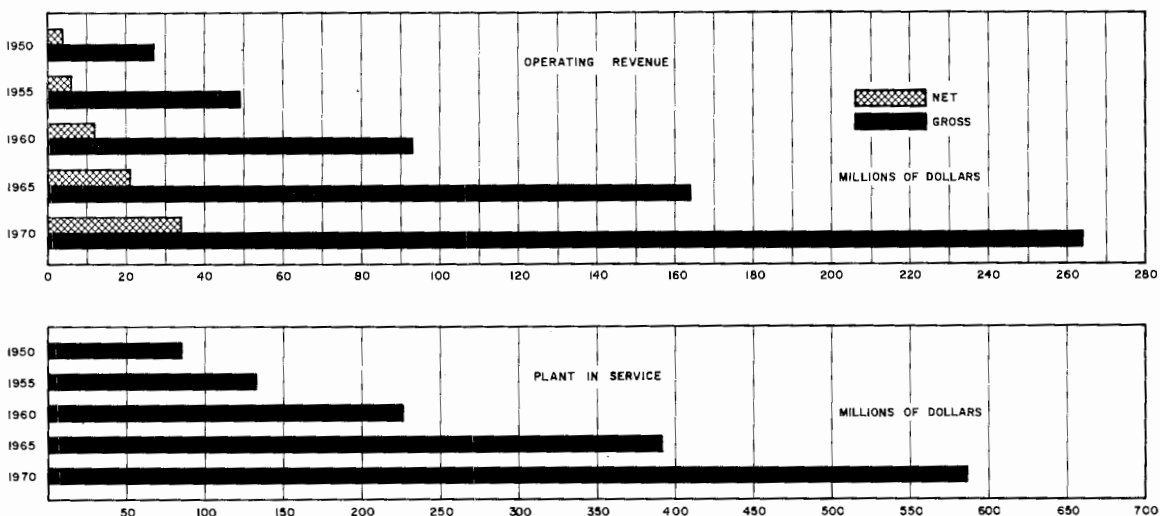


The Commission also administers rules and regulations under Chapters PSC 133 and PSC 134 of the Wisconsin Administrative Code, pertaining to such matters as authorization of construction, meter accuracy, various reports to be made to the Commission and records maintained in regard to pressure, heating value, interruptions to service, and customer complaints.

Costs to the utilities--Rates to consumers

The trend of past years wherein increases in costs were offset by operating efficiencies, reductions in cost of gas, reduced income taxes, and other factors has been substantially reversed, with no apparent change indicated for the immediate future. Rates of 14 gas utilities were increased by Commission Orders issued in this biennium.

WISCONSIN GAS UTILITIES



Gas utilities annually expend many millions of dollars in revamping plant and replacing cast iron or uncoated steel mains constructed in prior years at costs far lower than exist today. Such gas main renewal programs, involving additional investment in plant without corresponding revenue increase, are being financed in a period of high interest rates and uncertainty in the capital market resulting from current inflationary pressures.

TELEPHONE SERVICE isn't what it used to be. It's better. New facilities and more sophisticated equipment are being installed to make telephone service the Instant Communication that private persons, and business, now desire. This has been a biennium of action and planning to upgrade telephone utility service.

No More than Four

According to section PSC 165.062 of the Wisconsin Administrative Code, the Public Service Commission requires that, unless otherwise approved by the Commission, no more than four main stations shall be connected to any one circuit, and circuits now serving more than four customers shall be cut back to four by January 1, 1974.

The Commission is keeping a very close check on the status of the program to upgrade to four-party telephone service. Where there has been no definite commitment, the Commission has written to the utility concerned, in 1970 and again in 1971, pointing out that to meet the January 1, 1974 deadline, it is important that engineering plans be completed now, financing arranged, and material placed on order so that delivery will be made in time to allow for orderly construction progress. Reasonable exemptions have been granted for short-time periods because of the magnitude of the construction and the associated financing.

and Sometimes Only One

There is a definite trend toward exclusively one-party service. A total of 99 exchanges (44 in this biennium) have been authorized to convert to one-party service. As of June 30, 1971, 40 utilities were offering such service in 57 exchanges and plans are being made by 26 utilities to convert 55 more exchanges to one-party service.

IN URBAN AREAS, where service is not exclusively one-party, there is a continuing trend to discontinue four-party service. With the few people desiring such service scattered at random and distant locations, maintaining linefill represents transmission difficulties such that frequently no more than one or two parties can be placed on a four-party line. This results in the discriminatory application of the lower four-party rates to one- or two-party service.

IN RURAL AREAS, where exclusively one-party service is not offered, service is frequently on a zone or area basis, with rates for one- or two-party service varying according to the distance from the central office, and a uniform rate for four-party rural service.

The Expandable Community

Increasing toll-free extended-area service, following the "Community of interest" concept, gives appropriate telephone service to adjacent exchanges, clusters of communities and metropolitan areas. The extent of toll-free service in an exchange is evidenced by the number of main stations (and PBX trunks) subscribers can call without toll charge and, as a measurement of available service, is the basis for group (or band) rates of the two largest telephone utilities in the state. For example, subscribers of the 41 exchanges in Wisconsin Telephone Company's Band No. 1 (calling area, 0 through 10,000 main stations) pay lower rates than subscribers of the 11 exchanges in Milwaukee Metroplan having a calling area of approximately 470,000 main stations.

Since 1960, when a schedule of six group rates was established for General Telephone Company of Wisconsin, the percentage of exchanges with a calling area in excess of 10,000 main stations has increased from 5% to 23%. Its rates authorized by an April 9, 1971 Order include a Band No. 8, comprised of 19 exchanges with a calling area of 25,000 or more main stations.

The Community's Voice

While it is important that a community have available the scope and quality of service it needs, it is not fair for all customers to pay the cost of service used or desired by only a few. Authorization of extended-area service or exclusively one-party telephone service (and of the plant necessary to provide such service) is usually dependent on a substantial majority of the customers responding favorably to the telephone utility's postcard canvass offering the service at stated rates.

An Order denying requested extended-area service noted that less than one third of the exchange customers made toll calls to the proposed extended-area points, which is far below the usage generally considered as requiring establishment of extended-area service which would involve increased rates for all customers. A check on possible future need for the service was provided for by ordering the telephone companies to submit appropriate toll usage studies for 30-day periods in each of the next three years.

Of the subscribers represented at a public hearing on one telephone utility's proposal to offer exclusively one-party service, eight subscribers registered in favor of the proposal, while 64 were opposed, some on the ground that because of their low incomes, they could not afford the increase in rates which would be required. In view of the number of persons unfavorably responding to the project, its feasibility from an economic standpoint appeared doubtful. Authorization was denied.

Standards and Rules

The broad statutory phrase, "reasonably adequate service and facilities" is translated into technical, specific requirements by Chapter PSC 165, Wisconsin Administrative Code, as recreated in the previous biennium. Qualitative

and quantitative standards are set forth for central office equipment, ringing and answering periods, maintenance, tests and test records, emergency operation, transmission engineering and safety. The Code also contains requirements as to billing procedures, issuance of directories, and investigation of customer complaints.

One rule requires, for example, that the average rate of all customer trouble reports shall be no greater than 10 per 100 telephones per month, 95% of which shall be cleared within 24 hours. "Adequate service is dependent upon proper maintenance and repair in addition to adequate plant," says a Commission order requiring the undertaking of a comprehensive program of telephone plant rehabilitation and reports on customer complaints and action taken to correct service problems.



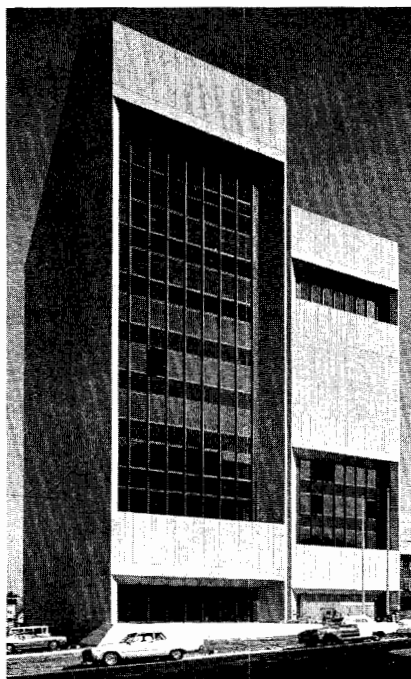
A telephone lineman unfastens the lines on an old open wire system between Algoma and Green Bay.

The bare aerial wires have been replaced by a new buried cable system. Demonstrating concern for the environment, telephone utilities are placing cable below the surface in new residential subdivisions and elsewhere whenever practicable. Wisconsin Telephone Company reports that 80% of the new cable added in 1970 went underground and 20,000 telephone poles have been removed; overall, two-thirds of its wire facilities are now out of sight. Improved and more reliable service is possible with buried cable which is not subject to wind and storm damage or the transmission problems experienced with some aerial lines during wet or windy weather.

Millions of dollars--Telephone utility plant

Upgraded and additional service, together with preparations to meet future demands, involve the expenditure of millions of dollars for construction of telephone utility plant. In addition to 31 Certificates of Authority

issued during the biennium, which authorized telephone utility plant estimated to cost \$18,524,425, other plant additions costing \$4,330,441 were handled in informal dockets. In lieu of filing information on a separate project basis, a telephone utility may submit a list of projects to be started in a 12-month period. The Commission approved facilities grouped in the utilities' calendar-year budgets totaling \$98,996,429 and \$77,153,307 for 1970 and 1971, respectively. Under these three procedures, cost estimates total \$199,004,602 for approved construction of plant being built and financed in a period of inflation and high interest rates, and, of course, associated with higher depreciation expense, additional operating and maintenance expense, as well as State and Federal property and income taxes.



This new 10-story Communications Service Center provides telephone utility office space and houses one of several Traffic Service Position Systems (TSPS) being installed throughout the state. These systems allow the concentration in one location of operator services for several exchanges, thus promoting efficiency and economy.

With the installation of telephone switching equipment called Electronic Switching Systems (ESS) and Electric Automatic Exchanges (EAX), the age of electronics has become an operating reality.

Telephone rates

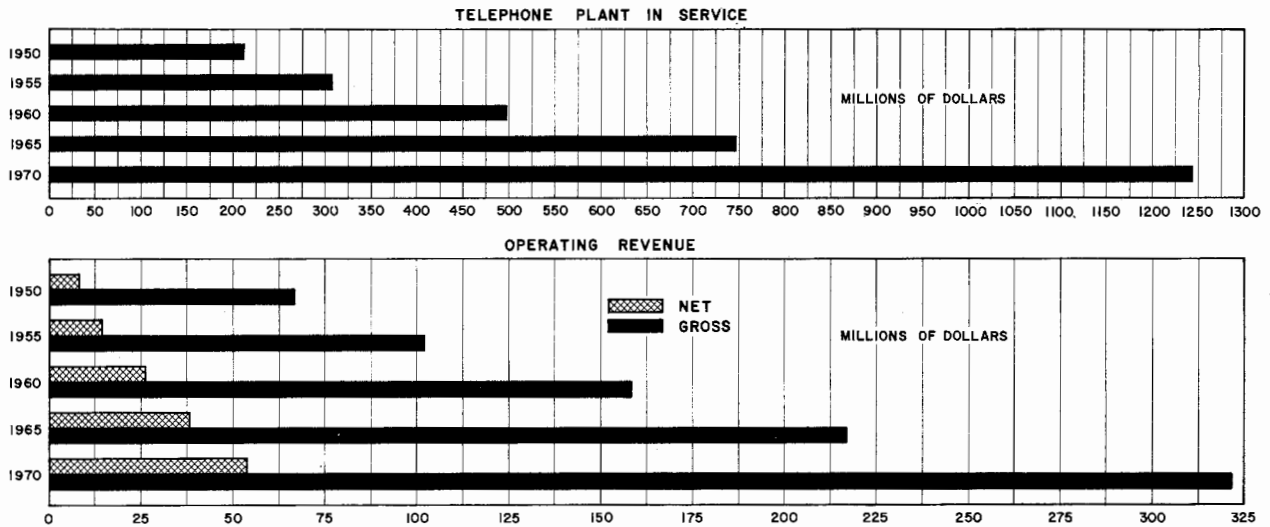
Not since 1958 and 1960, respectively, had the Wisconsin Telephone Company and the General Telephone Company of Wisconsin requested revision of company-wide rate schedules. The latter was granted an interim emergency surcharge by order of May 15, 1970, with final rates authorized by order of February 22, 1971. Wisconsin Telephone Company's rate increase of June 9, 1970 was followed by a make-whole proceeding and rate order of January 22, 1971.

In both cases, new monthly exchange rates were designed in bands, with exchanges grouped according to the number of main stations in the available toll-free calling area. Extra charges for installation of color phones and for extra-length telephone cords were eliminated.

Rates for one-party measured service available in the Milwaukee area were revised by the Wisconsin Telephone Company and introduced in the Madison exchange. Two-party measured service was added to Milwaukee Metroplan rate schedules. Measured service allows for a stated maximum of outgoing messages per month, with a per-call charge for calls over that maximum. Billed at a lower rate than unlimited local exchange service, it represents a saving to customers whose use of the telephone falls at or near the maximum number of calls.

While the rate increases granted the two largest telephone companies in the state affected customers served in a total of 291 exchanges, many smaller companies with only a few exchanges, were similarly faced with the need for more revenue and applied for upward revision of rates.

WISCONSIN TELEPHONE UTILITIES

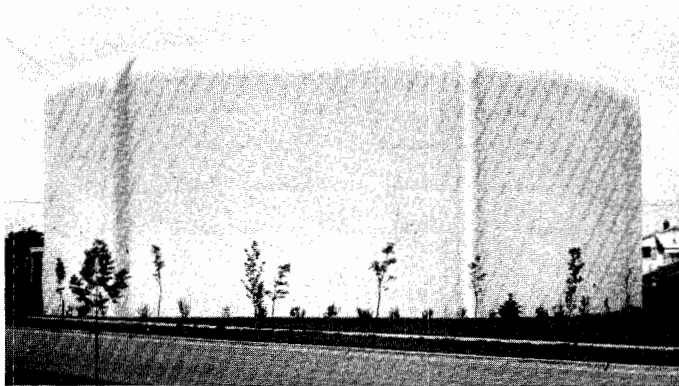


Water and Sewer utilities--Plant, money for same

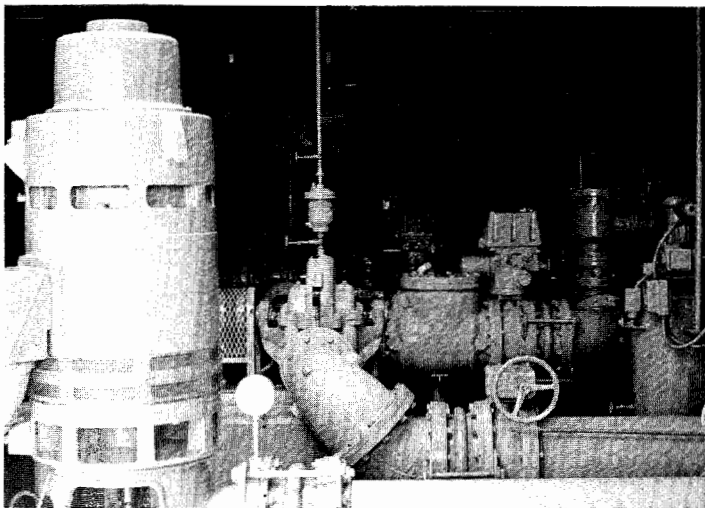
Five new water utility systems (estimated cost, \$1,983,691) and four new combined sanitary sewer and water utility systems (\$1,091,517, sewer; \$1,004,433, water) are included in the \$25,971,400 representing 83 Certificates of Authority issued to water and sewer utilities (26 Supplemental Certificates account for cost estimate increases totaling \$1,659,171). In addition, 147 letter authorizations approved expenditures, chiefly for water mains, totaling \$11,813,111.

In enacting Chapter 75, Laws of 1969, raising the statutory limit on interest on municipal bonds from 6% to 8% and on promissory notes from 5% to 7%, the Wisconsin Legislature recognized that municipal projects, including those of municipal water and sewer utilities, were being financed in a money market where interest rates were rising.

The enormity of the problem of financing water and sewer utility plant at today's high costs is such that frequently both new and established utilities must depend on federal grants or loans.



Nordness standpipe
reservoir of Madison
water utility.
Capacity:
3,000,000 gallons.



Automatically operated
unit well pumping station.
Well is immediately
underneath vertical
pump motor at left

UTILITIES

water
sewer

-34-

A July 10, 1969 Certificate authorized the village of Lowell to operate as a combined water and sewer public utility. By state agency order of 1964, the village had been ordered to take steps to abate pollution of the Beaver Dam River, and while initial action was taken at that time to construct a waterworks system and a sanitary sewer collecting-and-disposal system, financial difficulties could not be overcome and referendums on the projects were defeated. Then state and federal financial aid was obtained, whereupon a 107 to 6 referendum vote approved a municipal waterworks. Still under order to abate pollution of the river, the village determined to construct both a water and sewer system, the estimated cost of which was \$175,925 (water) and \$270,936 (sewer).

The Appleton water utility's \$4,787,955 project to obtain raw water from Lake Winnebago, rather than from the Fox River with its higher bacterial content, was authorized in the previous biennium and is now in operation. Federal funds were made available for the project.

Primarily to be able to finance additions and improvements, the Mercer Sanitary District was formed and acquired the water system of the town of Mercer, Iron County. Similarly, the Commonwealth Sanitary District acquired the water system of the town of Commonwealth, Florence County. In each case, though service is initially planned in only a portion of the town, the public utility obligation to serve the entire town passes to the acquiring sanitary district.

In the town of Menasha, more efficient and economical operation of both systems is expected from the authorized merging of Sanitary District No. 2 (98 residential and 8 commercial customers) into Sanitary District No. 4, (1,095 customers). Many more customers are anticipated when the area on the west side of Little Lake Butte des Morts is developed.

The real estate development--Water to outlying areas

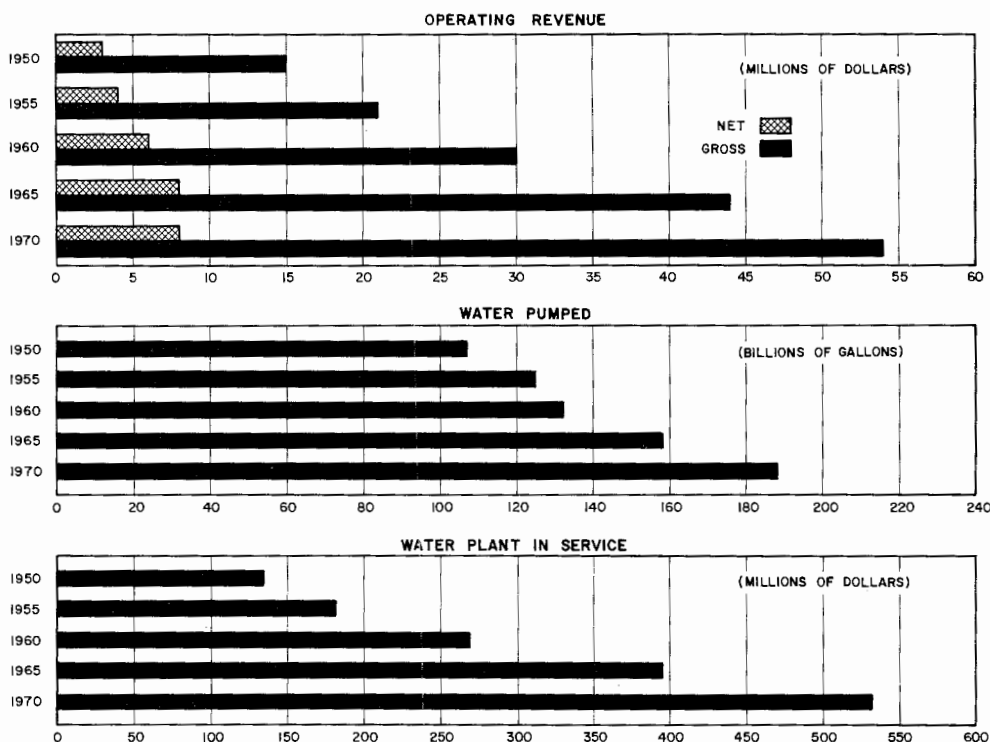
It is not uncommon for a real estate developer to construct a water supply and main which he later donates to a municipal water utility. Several such water systems have been acquired by Brookfield water utility which has now been ordered to make a study of long range water supply requirements, including the possibility of obtaining water from the city of Milwaukee. As Brookfield becomes more densely populated, larger quantities of water will be required from an extensive interconnected system. Today it is served primarily by small donated systems. Brookfield was also ordered to submit a report on methods and pilot plant studies to improve the quality of water furnished in Mission Heights. The Commission stated that while the water provided in Mission Heights has been reported safe, according to tests by the Department of Natural Resources, it is of poorer quality (color, odor, high iron content, and low pressure were complained of) than that furnished at the same rate in various other subdivisions and that this is a problem the utility is obligated to correct.

The corporation developing the Lake Camelot area proposed advancing \$350,000 toward the construction of a water utility system to be operated, as authorized, by the Rome Water Utility, Ltd., at rates established for service in a specified area.

Municipal water utilities--Rates

The nature of water utility operation is such that it does not appreciably benefit from automation and the various modern, sophisticated operational techniques which are in part responsible for the ensuing lower unit costs of other types of utilities, especially gas and electric.

WISCONSIN WATER UTILITIES



In the biennium, 132 water utilities were granted rate increases totaling \$10,645,675. Rates authorized for the Milwaukee water utility by an August 5, 1970 Order increased annual revenues by \$3,229,280, including an interim increase of \$893,700, to raise the overall rate of return on the \$80,362,532 rate base from 1.98% to 6%. The Commission determined that applicant's suggested 7-1/2% return, being based on cost of capital to an investor-owned utility, gave no consideration to the tax exempt status of

mortgage revenue bonds and income to the holders of municipal equity. The Commission adopted the staff conclusion that 5.50% was a reasonable cost of capital to Milwaukee municipal utility. To this was added .50% to offset the estimated effect of inflation, which is greater in the case of the cost of components of water service than other utility service.

Based on apportionment of plant to various classes of customers, the new rates will earn returns of

- 5.91% on retail general service
- 6.46% on wholesale general service
- 5.95% on retail fire-protection service
- 6.50% on wholesale fire-protection service

Wholesale and retail service beyond the city limits will earn approximately 6.5% return. The differences in earned rates of return as compared to the overall 6% return were determined to be within the zone of reasonableness.

The higher Milwaukee wholesale water rates have precipitated applications from the wholesale customers to raise their retail rates to include the increased cost of their water supply.

In an Order authorizing an annual revenue increase of \$75,838 for the Janesville water utility, the Commission discussed some of the matters presented by Janesville citizens appearing in opposition at the hearing, including the status of the water utility within the municipal government and its right to a profit. Acting in its "proprietary," rather than governmental capacity, the city of Janesville, as a water public utility, is entitled to the "same rate of return," the Commission pointed out "as permitted for privately owned utilities," (section 66.069(1)(e), Wis. Stats.). In past years, any profit realized has been used for debt retirement or plant additions.

Those opposing the rate increase questioned the installed pumping capacity in excess of maximum-day demand and urged this as an example of imprudent investment. The Commission stated, however, that major plant additions, installed only after Commission approval, have been required by growth of the city and increased water use. It was also determined that the ability to pump at an hourly rate of nearly twice the maximum daily usage was not excessive in order to provide adequate service that can meet maximum requirements of general service customers plus public fire-protection demands. The utility's payment of a tax equivalent to the city, also questioned at the hearing, was found to be proper under section 66.069(1), Wis. Stats., which provides that a municipal utility's income shall be used to meet local and school tax equivalents as well as other enumerated items.

Updating standards for water utilities--Pending proceeding

For about a year, there have been hearings, conferences, and extensive studies on updating standards for water utility service. The recreated

Chapter PSC 185, Wisconsin Administrative Code, as proposed will establish specific requirements as to plant and operation, tests and records, as well as specifying deposit and billing procedures for both private and municipal water utilities.

Sewer utilities--Limited jurisdiction

Sewer utilities are included in the Commission's jurisdiction only when sewer and water utilities of a town, village or city of the fourth class are combined by ordinance; when a user of the service of any sewerage system complains to this Commission that rates or practices are unreasonable or unjustly discriminatory; or when a privately owned sewer utility elects to have the Commission establish suitable rates for service. Once acquired, jurisdiction is continuing.

The case of the disappearing passenger trains

The decline in the use and operation of passenger trains is scarcely news. The losing battle was still being fought during the first year of the biennium.

On July 17, 1969, the Commission denied the application of the Milwaukee Road to discontinue its New Lisbon-Wausau daily passenger train and establish a substitute bus service. The Commission stated that, in view of the bus service available at the traffic-generating communities on the New Lisbon-Wausau line, the railroad's proposed substitute bus service would have been superfluous and would not have aided the railroad in maintaining present level of connected passengers on main line trains.

The railroad was ordered to continue operation of the trains in "the most efficient manner compatible with fostering increased patronage," on a probationary status through Labor Day 1970, with the railroad being required to submit monthly reports of patronage and revenues. The Commission determined that a 10% increase in patronage would be required if the train service were to survive.

On September 17, 1970, discontinuance of the trains was authorized. Reports indicated that patronage decreased 40% for the year ended September 7, 1970 as compared to year ended September 7, 1969.

In the previous biennium, the Commission had authorized seasonal discontinuance (from Labor Day through Memorial Day) of Chicago and North Western Railway's daily Green Bay-Ashland passenger trains. The discontinuance was to become effective upon Wisconsin-Michigan Coaches, Inc., institution of coordinated bus service, except that train service was ordered to be retained for holiday periods when it is better suited to heavier traffic.

A September 11, 1969, modification of that Order allowed discontinuance of train service for Thanksgiving and Easter holidays. Thanksgiving (1968) and Easter (1969) patronage showed a decrease of over 50% from the previous year's riding, and the Commission felt that the reasonably predictable decreases in traffic could be efficiently handled by the coordinated connecting bus service. That left train service available only during the summer (Memorial Day, including the Memorial Day holidays, to Labor Day) and the Christmas-New Year holiday period.

Amtrak--Wisconsin passenger train service

May 1, 1971 marked the beginning of operation of passenger trains by Amtrak, a federally sponsored entity, which determines fares, schedules, and routes of the trains. Jurisdiction over all intercity passenger trains was removed from the Interstate Commerce Commission and the states and placed in Amtrak.

Wisconsin is now served by one passenger train in each direction daily from Chicago-Milwaukee to Minneapolis, and three trains in each direction daily, Chicago-Milwaukee. Under the National Rail Transportation Act of 1970, all other intercity passenger trains have been removed except those construed as commuter trains in the southern part of the state.

Ride on Cannonball costs 75 cents

A January 6, 1970 Commission Order dismissed complaints protesting the raise in one-way commuter fares between Milwaukee and Wauwatosa, Elm Grove, and Brookfield to 75¢, which is the minimum one-way fare on other Milwaukee Road passenger trains. The older fares had remained unchanged since 1959.

The Commission determined that recomputing 1968 revenue to include the new minimum fare would reduce the railroad's net loss from \$57,575 to \$51,193. October 1969 patronage of the Milwaukee-Wauwatertown commuter train, popularly known as The Cannonball, showed a slight increase over the previous year, even though the new fares had since gone into effect.

Some increases in scheduled bus service have been made over routes coinciding with previous passenger train routes. A study is being made to determine the feasibility of subsidizing passenger train service on some routes in coordination with Amtrak.

Railroad freight--Agency service

The Commission granted, with certain exceptions and conditions, the application of the Chicago and North Western Railway Company to discontinue l.c.l. intrastate freight service and remove depots at 38 central resident agency stations which it proposes to convert into associate stations.

Resident agency service and depots are to be retained at three stations in the northwestern portion of the state: Cable (with at least 2 posted assigned hours at Mason where depot is to be retained), Solon Springs, and Jim Falls (associate station, Chippewa Falls).

Associate agency service and removal of depot at West Allis is contingent on retention of a clerk with appropriate office facilities. At Wautoma, removal is contingent upon providing seasonal (November 5-December 5) resident agency service.

The modified service and facilities will involve transferring a number of associate stations to other central stations. An additional employe is to be provided at each of seven named central stations.

In this Chicago and North Western Railway Order (which predated Amtrak), the Commission required continuation of passenger stops at the eight stations where discontinuance had been proposed, although it was determined that shelters could be erected in lieu of depots at Hurley and Mercer.

Since the Central Agency Plan was originated in 1959, the workload at Chicago and North Western Railway local agency stations (238 open; 193 prepaid) has continually declined as a result of discontinued passenger service, reduced railroad freight shipments, removal of express duties, centralized accounting, and various automated devices and procedures. Cost economies are necessary to maintain working funds for such items as line maintenance and car purchase (at the end of 1969, the railroad had a deficit working capital of \$11,514,419). Modification of the Central Agency Plan as authorized by the Commission will result in a \$240,000 net saving in the first year of its operation. The railroad had expected an annual net saving of \$255,000 from its proposal.

Basically the proposed plan requires more railroad business to be handled by telephone with the agent traveling to the shipper's place of business when necessary, thereby eliminating the unnecessary expense of maintaining an agent at a station when no need for service is present.

Railroad freight rates

As to railroad freight rates, the Public Service Commission has long held that, in the absence of a specific showing that intrastate transportation of a commodity requires special treatment, intrastate rates are not to be made independently of interstate rate adjustments.

This policy was adhered to in a January 26, 1970 Order in which the railroad freight rate increase granted by the ICC for interstate traffic was authorized to apply to Wisconsin intrastate freight EXCEPT that the Commission required adjustment of rates on agricultural limestone to coincide with previous orders establishing a spread not exceeding 28¢ per net ton (two-line over single-line rates) and 8¢ (three-line over two-line rates). Refund of excess charges paid since March 1, 1969, plus 5% interest, was ordered by the Commission as provided for in an Interim Order. The refund provision also applied to excess charges under the adjustment in rates for sand and gravel providing for the 6% rate increase but eliminating the imposition of a minimum increase of 10¢ per net ton, which is unreasonably high as applied to the relatively short distances over which this commodity moves in intrastate traffic. There was no showing in the record that the paper manufacturing industry of the state required special relief from the 5% increase on pulpwood rates.

Railroad mergers--ICC proceedings--Commission participation

The Public Service Commission intervened in the Burlington Northern, Inc., merger proceeding before the Interstate Commerce Commission on the premise that the merger would impede rail competition outside the state of Wisconsin to the detriment of primary rail carriers in the state; namely, the

Milwaukee Road, the Chicago and North Western, and the Soo Line. The Commission requested that certain conditions be imposed to obtain additional gateways for these three carriers in order to protect their competitive position. Similar conditions were imposed by the ICC in its approval of the merger of Northern Pacific, Great Northern, and Chicago, Burlington & Quincy Railroads.

The Union Pacific-Rock Island merger is still being actively pursued. Having developed a voluminous record, the case now awaits an ICC Examiner's report. A companion proceeding, involving the Chicago and North Western Railway's issuance of securities to purchase the Rock Island Railroad is being considered at the same time.

On March 31, 1970, the Milwaukee Road-Chicago and North Western merger proceeding was terminated by order of the ICC. The Public Service Commission participated in this proceeding in favor of unification, but requested that certain conditions be imposed to protect competitive positions of the Soo Line and Green Bay & Western. The Commission also sought certain additional rights for the Illinois Central in Madison. This merger proceeding was terminated because of substantial fluctuations in the market price of securities which made the exchange offer impractical.

On October 6, 1970, the North Western Employees Transportation Corporation (NETCO) filed an application with the ICC to purchase the assets of the Chicago and North Western Railway Company from Northwest Industries. The Public Service Commission participated in this proceeding in favor of the employee purchase. Hearing has been closed and at the close of the biennium, the ICC Examiner's report was still being awaited.

Also pending before the Interstate Commerce Commission are a number of abandonment proceedings involving Wisconsin operations of the following railroads: Milwaukee Road, Chicago and North Western, Soo Line, Chesapeake and Ohio and Ann Arbor--the latter two relating to the Michigan-Wisconsin ferry boat service at Manitowoc and Kewaunee.

Full Crew Law

In July 1969, the Wisconsin Supreme Court held that the general provisions of section 192.26, Wis. Stats., (PSC authority to determine the "reasonable number of employes in each switch crew") do not supersede the specific provisions of section 192.25(4a) (the so-called Full Crew Law).

After a September 9, 1967 Dane County Circuit Court decision that the Full Crew Law was unconstitutional insofar as it required the presence of a fireman in a crew engaged in switching cars, the Public Service Commission had issued an order (September 20, 1967) under section 192.26, which prescribed as reasonable a crew of one engineman, one conductor, and one brakeman (no fireman) for switch runs performed by the Ahnapee and Western Railroad. This order was rescinded by the Commission on November 3,

1970 in a proceeding on reopening requested by a railroad employe, who alleged he had been deprived of employment as a result of the Commission's 1967 order and asked that said order be rescinded by reason of the Supreme Court decision.

Public Service Commission	
Workload — Railroads	
July 1, 1969 — June 30, 1971	
Formal cases opened	285
Hearings held	269
Orders issued	405
Informal cases opened	156
Field investigations	714
Crossing plans approved	222

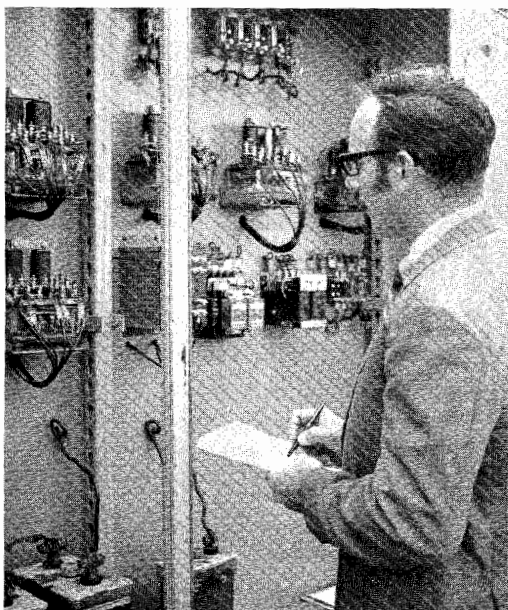
Railroad-Highway crossings--Crossing protection

Section 195.28, Wis. Stats., gives the Commission jurisdiction to determine whether the existing warning devices at a crossing are adequate, and "if the crossing complained of is dangerous to human life," the Commission shall order the installation of "suitable safety devices." In addition to acting on complaints or petitions, the Commission may on its own motion investigate matters pertaining to crossings and crossing protection.

Section 195.29, Wis. Stats., deals with the establishment of new crossings, closing of crossings, and the relocation or alteration of crossings, and requires the Commission to fix the proportion of the cost of any work ordered (including damages to any person whose land is affected by a crossing project) to be borne by the railroad companies and the municipalities involved.

Crossings frequently are involved in highway relocation or improvement programs, including highway underpasses or overpasses of railroad tracks. In many such cases, the Commission authorizes construction "in accordance with the plans and provisions of the stipulation" between the Wisconsin Department of Transportation, Division of Highways, and the railroad company.

The statutes permit the Commission to authorize crossing protection installation without public hearing when the railroad and the Division of Highways have agreed upon the need for protection, the kind of protection needed, and the apportionment of costs.



Staff member checks out
new signal installation

Railroad-highway crossings--Crossing protection

When establishment of a crossing or new or improved crossing protection is being considered by the Commission, its investigation includes obstructions to view, together with the angle of, and approaches to, the crossing; traffic counts, vehicular and pedestrian; number of freight and passenger trains; speed of trains and legal speed of vehicles; traffic patterns, including use of the street or highway involved as to schools, churches, business establishments, and firefighting equipment; and the accident history at the crossing.

HIGHWAY RAILROAD CROSSINGS in Wisconsin		
<u>Protection</u>	<u>1969</u>	<u>1971</u>
Statutory Signs*..	6,268	6,172
Flagman	9	8
Gates	170	183
Bell	99	97
Wigwag	479	461
Flashing Lights ..	1,051	1,114
Highway overhead .	475	491
Highway underpass	414	415
 Total	 8,965	 8,941
*Unprotected by train-actuated devices		

The formal highway-railroad crossing orders issued in the July 1, 1969-June 30, 1971 biennium:

Ordered signals at 125 crossings
 Denied signals at 9 crossings*
 Ordered closing of 20 crossings
 Denied closing of 5 crossings
 Ordered establishment of 62 crossings
 Denied establishment of 7 crossings
 Ordered alteration of 12 crossings
 Ordered new (or alteration of) 29 separated structures

* Some orders denying installation of signals required such other safety measures as train crew flagging, stop signs, or removal of obstructions to view.

Commission Orders required the Ahnapee & Western Railroad Company to remove rail, ties, and signals from the 33 grade crossings of its abandoned Algoma Wye-Sturgeon Bay main line and to restore the streets and highways to a condition substantially the same as that existing on each side of the crossings.

As in the previous biennium, matters involving rail-highway grade crossing protection frequently were concerned with multiple crossings in a municipality or traffic area. One proceeding, for example, dealt with all 13 crossings in Prairie du Chien, and another with all 16 crossings in the town of Caledonia, Racine County.

Safety vs. convenience--Safety wins

The grade crossing of Wood Street in Oconomowoc and seven Milwaukee Road tracks has been involved in a series of formal proceedings before the Commission since 1961. In 1964, following investigation and hearing dealing with all 11 crossings in the city, the Wood Street crossing was ordered to be closed; in 1968 a petition for reopening of the crossing was denied; and in a July 22, 1970 order, the Commission again denied reopening. The latter order notes that in the 5-year period preceding the 1964 order dealing with all crossings in Oconomowoc, 19 crossing accidents involving 14 injuries and 6 deaths were reported; in the 5-year period following the 1964 order, there have been three accidents involving one death and no injuries. The language of the opinion of the 1970 order indicates the Commission's concern for railroad crossing safety:

.....it has been held that public convenience cannot be equated to public safety.

.....Undoubtedly the proposed Wood crossing would be a great convenience to Oconomowoc if it were reopened to public use. Undoubtedly it would be heavily used. However, the convenience of such use is overshadowed by the serious hazard to public safety which would be created thereby. The Commission is obligated to weigh the obvious convenience against the very real hazard and determine what must be done to promote public safety.

.....Inconvenience can be endured. Pain, suffering, and death are irreversible. Public safety requires that the crossing remain closed.

Reporting Railroad Accidents

The Commission's file of statistical information on each rail-highway crossing includes its accident records begun in 1911 and kept up to date. Many variables, the human element not the least of these, interact to effect statistical fluctuations from year to year. Records of accidents by calendar months which show the greater number occurring in the October-March period, suggest that weather is an important factor.

Highway-Railroad Grade Crossing Accident Data in the State of Wisconsin				
	1967	1968	1969	1970
Total No. of accidents	447	421	456	394
Protected crossings	230	202	230	203
Unprotected crossings	217	219	226	191
Total No. of fatalities	59	44	39	37
Protected crossings	24	19	17	11
Unprotected crossings	25	25	22	26
Total No. injured	221	226	227	181
Protected crossings	108	96	109	85
Unprotected crossings	113	130	118	96

The cost of crossing protection

There were 72 supplemental orders issued apportioning costs of signal installations between the State and the railroads, pursuant to section 195.28, Wis. Stats., which provides that, "In no case shall the State's share exceed 70% of the cost." Installations and work ordered by the biennium's orders pertaining to highway-railroad crossings will cost \$1,130,000, with the State's share being \$785,000. (Amounts are estimated)

The Commission rescinded three 1966 and 1967 orders, reversed and remanded by the Wisconsin Supreme Court, which had required the railroad to maintain highway underpasses at its expense. In the 1970 orders on remand, the Department of Transportation, Division of Highways, and the railroad are authorized to maintain the structures according to an agreement whereby the railroad shall carry out routine repairs and maintenance for the preservation of the structure and maintain railroad facilities thereon, but the cost of major restoration or replacement necessitated by "disaster, deterioration, or serious accident affecting the safe use of the structure shall be apportioned between the parties, as mutually agreed between them."

Another 1967 order, also reversed and remanded by the Wisconsin Supreme Court, had required the railroad, under the provisions of section 195.28, Wis. Stats., to bear the costs of moving railroad signals outside the roadway of a widened and improved street. Apportioning expenses pursuant to section 195.29(20), Wis. Stats., in accordance with Court directives, the Commission's 1970 order on remand required the railroad to pay 70% of the actual costs of signal work.

Railroad employes--Safety of work-connected transportation--Rules

Effective October 1, 1970 and implementing section 192.327(3) and (4), Wis. Stats., created by Chapter 343, Laws of 1969, Wis. Adm. Code Chapter PSC 85 contains rules relating to standards for the design, operation, and maintenance of motor vehicles used by railroad companies to transport railroad employes to and from their places of employment and during the course of their employment. The rules were promulgated after public hearing and consideration of suggestions by all parties as to modifications of rules originally proposed by the Commission.

Clearances - Switch lamps - Spur tracks

In addition to investigations and orders related to highway-railroad crossings, the Commission is concerned with the safety aspects of railroad-industrial operations.

During the biennium, 38 orders were issued on applications to maintain vertical or horizontal clearances between railroad tracks and structures or installations which are less than the clearance requirements of the Statutes or the Commission's Wisconsin Administrative Code rules designed to administer said statutes under current conditions.

There were also three orders authorizing reflectorized materials on switch stands in lieu of oil-burning switch lamps. Such conversions have increased in recent years, primarily on railroad lines where train volumes have been reduced and passenger trains discontinued.

There were 26 Orders issued, relating to the removal of spur tracks serving industries which no longer utilize the tracks.

Federal Railroad Safety Act of 1970

Effective in October 1970, the Federal Railroad Safety Act of 1970 gives the Federal Department of Transportation (DOT) exclusive jurisdiction and responsibility over the safe operation of railroads in the United States and charges the Secretary of the Department of Transportation with the responsibility of issuing appropriate safety rules, regulations, orders, and standards.



Typical staff inspection
of track gauge and
crossing elevation

Under provisions of the Act, requirements relating to safety which are under the jurisdiction of the states will continue in effect until superseded by DOT regulations.

The states may participate in railroad regulation in the area of investigative and surveillance activities under a certification or an agreement arrangement with DOT. The Public Service Commission has indicated to DOT its intention to be certified in this respect. There are provisions for partial reimbursement to the states for exercising these functions.

In the spring of 1971, DOT published proposed rules relating to safety standards for railroad trackage. Changes have been suggested and it is expected that final rules will be published in the fall of 1971.

Transportation of property--Motor carriers

The legislative intent in creating Chapter 194, Wis. Stats., the Motor Vehicle Transportation Act, reads in part:

. . . to supervise and regulate the transportation of persons and property by motor vehicles . . . so as to protect the safety and welfare of the traveling and shipping public in their use of the highways; to relieve the existing and all future undue burdens on the highways . . . to carefully preserve, foster and regulate transportation to the end of developing and preserving each separate type of the transportation system by highway and rail adequate to meet public needs. (Section 194.02, Wis. Stats.)

Transportation of property is most adequately available when the quantity of service offered an area is neither more nor less than that which it needs. This determination is made by the Commission when, before issuing new or additional authority to transport property, it finds the proposed transportation "in the public interest and required by public convenience and necessity" (or in the case of a private contract motor carrier, "in the public interest and required by the convenience and necessity of the named shipper"). When existing carriers oppose a grant of authority to an applicant, the application can be granted only if there is "no showing that there will be undue interference with efficient service by other carriers."

To permit or require service beyond the need of a community jeopardizes the carriers' efficiency and economic operation, and ultimately, the overall ability to render adequate service at reasonable rates.

Common and contract motor carriers

The Public Service Commission's biennial work load as it relates to motor carriers is summarized below:

Formal cases opened	6,426	Amendments to authorities issued	3,442
Hearings held	1,814	New authorities issued	3,376
Orders issued	4,029	Authorities canceled	2,850

Active motor carrier authorities June 30, 1971:
291 common motor carriers of passengers and property; 15,641 contract motor carriers. There are also four common carriers of passengers or property by water whose certificates were issued under Chapter 402, Laws of 1969, amending section 195.45, Wis. Stats., effective February 26, 1970.

Wisconsin Administrative Code--Rules amended or created

The Commission annually reviews Wisconsin highway conditions and accordingly revises rules in Wis. Adm. Code Chapter PSC 50, imposing

summer weekend highway restrictions on the operation of trucks with an overall weight of more than 8,000 pounds. These restrictions, applying to private as well as contract and common motor carriers, were amended for the summer of 1970 and again for the summer of 1971.

Both common and contract motor carriers of property are affected by the revision, effective May 1, 1970, of Wis. Adm. Code Chapter PSC 65. Amended portions of the chapter relate to the form of motor vehicle rental agreements, information (including vehicle identification) which must be entered on rental agreements, and inspection of rental companies' accounts and records by the Public Service Commission and the Wisconsin Department of Transportation, Division of Motor Vehicles.

A new chapter of the Wisconsin Administrative Code sets forth standard procedures in handling loss and damage claims on freight carried by common and public contract motor carriers (private contract carriers hauling for specified individual shippers are not, at this time, subject to the new rules). The rules require acknowledgement of receipt of a claim within 15 days and impose other time and procedural requirements on claims investigation, settlement and record-keeping. (Wis. Adm. Code Chapter PSC 19, effective May 1, 1971).

As pointed out in the Order creating Chapter PSC 19, the "Commission does not, under the present statute, have authority to settle loss or damage claims. The handling of loss and damage claims by motor carriers is part of their responsibility to provide the quality of service required of them and hence places on the Commission the responsibility of ascertaining if such motor carriers are handling loss and damage claims in a manner that is consistent with their service obligations."

And there were several changes in rules affecting only contract motor carriers:

Amendments to Wis. Adm. Code section PSC 16.35 increase minimum rates for transportation of petroleum products in bulk in tank trucks and reduce the minimum quantities of Group B products from 9,000 to 8,500 gallons, effective May 1, 1970. A March 1, 1971 Commission ruling required that minimum rates for transportation of petroleum products in bulk in tank trucks must be published in the Wisconsin Administrative Code.

While the majority of towing operations are now exempt from rate regulation and requirements as to filing rates, inserting the underscored words in "Towing used or disabled motor vehicles by wrecker" additionally exempts towing of used vehicles for such purposes as law enforcement, replacement, repossession, or salvage. (Amended PSC 16.31(1)(k), effective December 1, 1970).

While continuing to exempt transportation of property in dedicated equipment from rate regulation, PSC 16.31(2)(f) was amended so that the advantages of Dedicated Equipment Contracts would accrue only to that service which, as shown by billing statements, is performed by fully identified equipment, except in cases where the carrier's entire fleet is dedicated to a single shipper. (Effective April 1, 1970)

Current metropolitan traffic conditions and distances are recognized in the defining of the Madison Metropolitan Area (Madison, the second largest city in the state, 3 other cities, 11 villages, and 17 towns in Dane County) where in a mover of used household goods may charge a maximum of 30 (formerly 15) minutes' driving time to and from carrier's office or garage. (Effective May 1, 1970) The rule had been similarly amended for the Milwaukee Metropolitan Area several years ago.

Chapter PSC 18 is a Tariff Circular for Contract Motor Carriers of Property. Effective May 1, 1970, it is similar in intent to the Common Motor Carrier Tariff Circular in effect since 1957.

Rates--Used household goods, moving

Maximum rates authorized for contract motor carriers' intrastate long-distance moving of used household goods and business equipment represent a 22% increase over rates last modified in June 1967. Denying the request for additional area increases, similar to those granted by the ICC in respect to certain metropolitan characteristics, the July 6, 1970 Order stated that sufficient data was not submitted in this proceeding to support area increases on a Wisconsin intrastate basis.

Freight rates--Common motor carriers

An April 7, 1970 Order authorized a 50-cent surcharge on each intrastate shipment by common motor carriers of property, in lieu of the requested \$1 surcharge. Expiring at midnight, December 31, 1970, the authorized surcharge was estimated to result in an operating ratio of 94.45%, but before that date

a June 1, 1970 Order granted a \$1.50 surcharge on each intrastate shipment (the \$1.50 included the previous 50-cent surcharge). This emergency surcharge, also expiring December 31, 1970, was expected to improve the operating ratio from 97.9% to 93.28%.

The Wisconsin Manufacturers' Association, while recognizing that "some expeditious measure of revenue relief for the carriers is justifiable," and stating their "willingness to cooperate with the Commission in regard to the issuance of a prompt and reasonable Order," petitioned for rehearing and protested against the emergency surcharge. Though denying the petition and affirming its June 1

Order, the Commission granted and held rehearing and in an October 29, 1970 Order declared that an emergency existed with respect to the carriers' "revenues and financial stability" adding that

"While other forms of increased rates may be shown to more equitably spread the additional revenue needs of the carriers among the shipping public, the surcharge herein constitutes a reasonable and just method of producing said revenue on an interim, emergency basis pending further hearing herein."

The December 31, 1970 deadline was formally extended to the date of the final Order in the proceeding. The final Order, dated February 12, 1971 authorized minimum charges increased from \$4.65 to \$6.15 and from \$5.20 to \$6.70 for rate bases 1-20 and 21-33, respectively, based on distance. The increases in L.T.L. class rates and rates on volume shipments authorized in this Order in Docket MC-1824 were superseded by an Emergency Order of April 12, 1971 in Docket MC-1840. The rate increases are compared, below:

<u>February 12 Order</u>	<u>April 12 Emergency Order</u>
shipments 0-1,999 pounds--17-1/2% increase	shipments under 1,000 pounds--25% increase
2,000-9,999 " --10% "	1,000-1,999 " --17-1/2% increase
10,000 and over " -- 3% "	2,000-9,999 " --10% "
	10,000 and over " -- 1% "

The Commission noted that the area of small shipments has also been a problem area in regard to service, and hopefully, improvement in revenues will stimulate a parallel improvement in service. Emergency rates are expected to produce an operating ratio of approximately 94.45%.

Common motor carriers of passengers

The Commission's heavy work load occasioned by the dilemma of mass transportation of passengers in a travel era dominated by the private automobile has included the intrastate rates and service of interurban as well as urban buses.

The URBAN BUS is in trouble; so is the community which needs public passenger transportation but offers far too little patronage to pay for its operation. For example,

In an Interlocutory Order of December 17, 1969 withholding action for 30 days on the application of Wausau Transit Lines, Inc., to abandon service, the Commission took note of the use made of bus service, and concluded that "the impact on the community of the loss of bus service will be

substantial and severe." After a discussion of the bus company's financial problems, the Order stated that, "It is an obvious economic fact that under these conditions, Wausau Transit Lines, Inc., cannot continue to operate."

A January 30, 1970 Order in the same proceeding denied the application for abandonment. The cooperation and financial contributions of Wausau and its school board and of Schofield and Rothschild, in which communities the bus company operates, enabled the company to continue to operate to the end of the school year, but the Commission warned that "unless a more permanent solution can be found within that period, all parties must recognize that abandonment of bus service in the Wausau area will once again become imminent." At the end of this biennium, the Wausau Area Transit Commission was being formed by the affected municipalities to operate bus service in this area.

There are numerous instances of municipal subsidy of urban bus companies, and at the end of the biennium, municipally owned and operated mass transit systems were serving in Ashland, Janesville, Superior (Duluth Transit Authority), and Madison. In March 1971, the city of Merrill discontinued its operation of bus service, begun in May of 1955, when its common motor carrier of passengers certificate was assigned to Park City Cab and Bus Service. The service will be subsidized by the city.

Madison
Metro
Bus



At the end of the previous biennium, the Madison Bus Company was operating under an agreement with the city whereby the city provided funds to enable the bus company to realize a 95% operating ratio. Since May 1, 1970, how-

ever, the passenger bus system has been owned and operated by the city of Madison. A few statistics follow:

	<u>May 1970</u>	<u>May 1971</u>	<u>June 1971</u>
Riders	486,162	463,405	402,301
Miles Operated	205,544	199,147	188,101
Revenues	\$109,246	\$ 99,863	\$ 86,480

Operating loss - first quarter of 1971 \$156,914
second quarter of 1971 \$212,986

Milwaukee & Suburban Transport Corporation--Fares and service

1969--Interim fares

A May 15, 1969 order authorized a 25-cent increase on all weekly bus passes on an interim emergency basis to raise the annual net income from minus \$372,000 to \$602,000.

1969--Final order, fares

On August 8, 1969 the Commission authorized increased fares to yield an estimated annual net income, after taxes, of \$585,000.

The new fares include provision for a 2% commission to stores and commercial outlets selling tickets and passes under the Ready-Fare Plan instituted in October 1968. The new fare structure, simplified by the elimination of zone weekly passes and zone premium tickets, will substantially reduce confusion in handling fare form sales, and the 2% commission should impede further reduction in the number of outlets.

Zone charges will be more easily understood and collected when, as ordered, the radial zone pattern is supplanted by a grid system delineating the single-fare area by boundary streets, with two zones, two miles in width and parallel to the boundary streets.

1970--Interim fares

Again on an interim emergency basis, Milwaukee & Suburban fares were increased by order of April 30, 1970. The fare increases included raising adult and student cash fares from 30¢ and 20¢ to 40¢ and 25¢, respectively. The Company had estimated that without fare increases, its 1970 and 1971 operating losses, after interest charges, would be \$800,000 and \$1,700,000, respectively, largely because of a two-year labor contract retroactive to April 1, 1970.

Milwaukee & Suburban Transport--Cont.

1970--Final order, fares

On December 23, 1970, the Commission authorized the interim emergency fare increase to become permanent. After giving effect to an April 1, 1970 labor contract increasing operating costs \$1,244,900 for the first year and an additional \$1,056,000 for the second year, the rates are estimated to provide for an operating ratio of 95.5 before taxes. In this proceeding, reduced fares for persons 65 years of age or over were requested by two Wisconsin legislators, a number of senior citizen organizations and others. In denying the request, the Commission stated (December 23, 1970 Order) that such reduced fares

"would shift an unwarranted burden to other riders since the estimated loss of revenues that would result from the reduced fare for this group would undoubtedly require an increase in fares for other riders....Furthermore, it has not been shown that the loss of revenue...could be recouped by imposing higher fares on other riders."

A similar finding had been made in a July 1968 Commission order. Reduced fares for senior citizens are now involved in a pending 1971 docket (MC-1845), with hearings being held and scheduled in the months following the close of this biennium.

Trial Bus Route Discontinued

Instituted June 15, 1970, Glendale-Brown Deer Bus Route No. 56 was discontinued by Milwaukee & Suburban Transport Corporation at the end of a 90-day trial period. The 15.1-mile round-trip route was designed to provide weekday rush-hour service to the Bay Shore Shopping Center, but riding checks submitted to the Commission showed the average number of passengers per round trip to be 4.7, 5.3 and 6.8 riders in July, August, and September, respectively---far short of the 37 indicated as the minimum ridership requiring continuance of the route, according to the Commission's order. Two other bus routes were instituted on a trial basis during the biennium: Milwaukee Freeway Flyers, Spring Mall (July 1970) and Target Store (May 1971).

Intercity Bus Fares

The intercity bus fares of Greyhound Lines, Inc., were also increased during the biennium by 5% applied to the nearest 0 or 5 cents. Greyhound Lines had proposed applying the 5% to the next higher 0 or 5 cents but the Commission determined that this would have imposed a disproportionate percentage increase on the lower range of fares for shorter distances, especially when added to a prior increase of this

nature. While retaining the holddown fares between Milwaukee and Marshfield to a level competitive with Wisconsin Michigan Coaches, Inc., Greyhound will discontinue competitive Madison-Milwaukee fares in view of the difference in the nature of its service (running time 2 hours, 15 minutes) and the service of Badger Coaches, Inc. (running time 1 hour, 30 minutes) in serving a limited number of communities along I-94.

From Intercity to Suburban

When, in 1971, the Commission classified Commuters Service, Inc., routes as suburban, the \$1 registration fee for urban buses became applicable to its buses, thus reducing the company's licensing expense. In spite of a 1970 fare increase, that year's operations had been at a loss. Service on the three routes, scheduled between Stoughton and Madison to meet the needs of persons living outside Madison but employed in that city is, said the Commission, "a great benefit to those who have and will avail themselves of it, in that many riders do not own automobiles and are thus without suitable means of transportation."

FINANCES OF THE COMMISSION

The Commission has four principal sources of revenue with which it finances its work:

1. To defray the expenses of regulating the rates, service, construction, finances, and security issues of telephone, electric, gas, and water utilities, whether privately or municipally owned, the Commission makes an assessment of costs of a specific, formal investigation against the investigated utility limited by $\frac{4}{5}$ of 1% of the gross intrastate operating revenues of the utility in the previous calendar year. A similar assessment is made in specific, formal railroad investigations.
2. To recover costs incurred in utility regulation that cannot be ascribed to a specific investigation, the Commission makes a so-called remainder assessment after the close of each fiscal year against all Wisconsin utilities which may not exceed $\frac{1}{5}$ of 1% of the total gross intrastate operating revenues of the previous calendar year. A similar remainder assessment, made to recover costs incurred in railroad regulation that cannot be ascribed to a specific investigation, may not exceed 1% of the total gross intrastate operating revenues for the previous calendar year.
3. To provide for transportation, electric power, natural gas, and telecommunication phases of emergency resource management assigned to the Commission by the Governor under Chapter 22, Wis. Stats., and for miscellaneous administrative expenses, a specific legislative appropriation is made from the State General Fund.
4. To provide for the regulation of motor carrier operating authorities, rates, and service, a specific legislative appropriation is made from the State Highway Fund.

Details of Commission finances are shown in the following table. It should be noted that the receipts and disbursements are not equal for a given year because the amounts available as legislative appropriations are seldom spent in full, but allowed to lapse. Also, reimbursement for some utility and railroad expenditures is not received until the subsequent fiscal year.

SUMMARY OF FINANCES

Item	1969-70	1970-71
Appropriations and receipts		
General legislative appropriations	\$ 621,300.00	\$ 636,200.00
Non-lapsed balances	<u>2,644.80</u>	<u>3,600.00</u>
Total appropriations	<u>\$ 623,944.80</u>	<u>\$ 639,800.00</u>
Utilities receipts		
Direct assessments	\$ 164,972.69	\$ 162,898.99
Remainder assessments	<u>729,092.72</u>	<u>805,658.72</u>
Total	<u>\$ 894,065.41</u>	<u>\$ 968,557.71</u>
Railroad receipts		
Direct assessments	\$ 10,427.48	\$ 9,425.79
Remainder assessments	<u>170,618.78</u>	<u>182,164.68</u>
Total	<u>\$ 181,046.26</u>	<u>\$ 191,590.47</u>
Miscellaneous receipts	<u>\$ 3,343.70</u>	<u>\$ 4,570.09</u>
Total appropriations and receipts	<u><u>\$1,702,400.17</u></u>	<u><u>\$1,804,518.27</u></u>
Disbursements		
Utility	\$ 983,221.41	\$1,100,190.13
Railroad transportation	193,602.69	183,205.99
Motor transportation	518,842.59	535,130.74
Emergency resource management	<u>1,895.06</u>	<u>1,008.32</u>
Total disbursements	<u><u>\$1,697,561.75</u></u>	<u><u>\$1,819,535.18</u></u>
Collections for state general fund		
Utilities securities fees	\$ 142,772.55	\$ 338,127.08
Engineering fees	36.00	12.00
Copy work and sale of printed matter	3,679.38	3,324.60
Penalties	422.82	423.95
Water carrier fees	<u>320.00</u>	<u>(160.00)</u>
Total	<u><u>\$ 147,230.75</u></u>	<u><u>\$ 341,727.63</u></u>
Collections for state highway fund		
Motor carrier filing fees	<u><u>\$ 63,480.25</u></u>	<u><u>\$ 67,230.00</u></u>

() Denotes red figure

