

BIENNIAL REPORT

OF THE

**PUBLIC SERVICE COMMISSION
OF WISCONSIN**

July 1, 1962 to June 30, 1964

LEONARD BESSMAN
Chairman

ARTHUR L. PADRUTT
Commissioner

DAVID ADAMANY
Commissioner

JOHN F. GOETZ
Acting Secretary

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FOREWORD

The attached report is an outline of the work of the Public Service Commission of Wisconsin from July 1, 1962 to June 30, 1964.

The report covers the transactions of the Commission for the two preceding fiscal years and contains information in respect to matters under the Commission's charge which it deems proper to submit, in compliance with section 195.03, Wisconsin Statutes.

PUBLIC SERVICE COMMISSION OF WISCONSIN

LEONARD BESSMAN
Chairman

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Commissioner

DAVID ADAMANY
Commissioner

JOHN F. GOETZ
Acting Secretary

Madison, Wisconsin
December 7, 1964

I. INTRODUCTION

A. Commission jurisdiction

The powers and duties of the Public Service Commission of Wisconsin are delegated to it by the Legislature. Included within the Commission's jurisdiction is the regulation of the rates and service of:

Common carriers of property by water	4
Common motor carriers of passengers and property--	309
Contract motor carriers of property	13,388
Electric railways	1
Electric utilities	109
Express companies	1
Gas utilities	17
Heating utilities	4
Railroads (other than electric railways)	18
Sewer utilities (combined with water utilities)	125
Sleeping car companies	1
Telegraph companies	1
Telephone utilities	176
Urban trackless trolley systems	1
Water utilities	461

The regulatory powers of the Commission also extend to the issuance of public utility securities, railroad-highway crossing protection, construction and operation of dams, and the level and flow of, and diversion from, Wisconsin's many lakes and streams.

Statistical studies and continuing records of property and of financial operation and condition of the companies under Commission jurisdiction are made by the Commission. They are valuable aids in the difficult task of prescribing orders balancing the right of the public to adequate utility service at reasonable rates and the constitutional right of the utility to an adequate return on its invested capital.

B. Savings to customers

Under sections 196.02 and 196.07, Statutes, the Commission requires annual, and in some cases monthly, financial

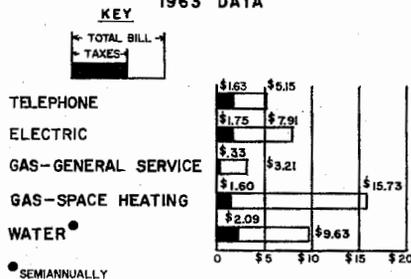
and operating reports. When a report indicates an earning trend in excess of an adequate return, the Commission holds conferences with utility management to determine what rate reductions should be made. Electric and gas rate reductions noted below resulted from such conferences. Since revised rate schedules can be approved without hearing only when no customer will experience any rate increase, the increases shown below were granted after they were shown in formal proceedings to be necessary to provide the utility an adequate return on its investment.

**Electric and Gas Rate Changes
Approved During Biennium**

	Rate reductions	Rate increases
Electric utilities -----	\$8,347,330	\$ 73,307
Gas utilities -----	4,402,425	133,602

**TAXES INCLUDED IN
TYPICAL UTILITY BILLS
OF MADISON HOMES**

1963 DATA



In several instances, gas utilities agreed to pass on to their customers refunds they had received from their pipeline suppliers as a result of proceedings before the Federal Power Commission. Another factor in many of the rate decreases has been the policy of the Commission to require income tax savings, such as the

federal investment tax credit discussed on page 29, to be used to the benefit of the consumer.

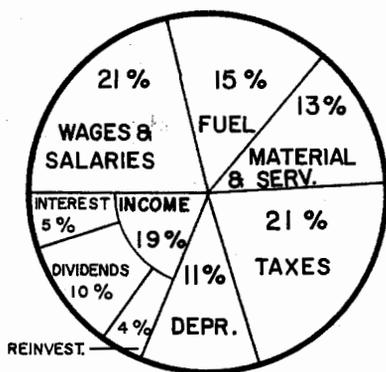
C. Utilities—Demand and supply—Costs—Rates

Plant expansion and improvements to meet the continued growth in both residential and industrial demand for utility service are continuously being made. This increased plant adds to the rate base on which the rate of return is computed and also increases depreciation charges and property taxes.

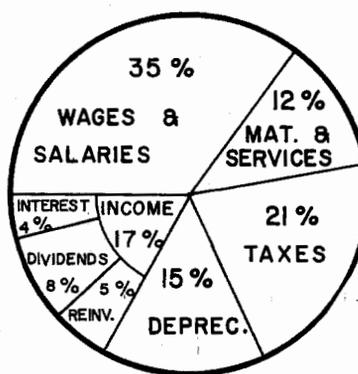
The impact of wage increases varies widely, as the charts below illustrate. Charts on page 39 show wages as close to 50% of transportation revenue.

THE UTILITY REVENUE DOLLAR 1963 DATA

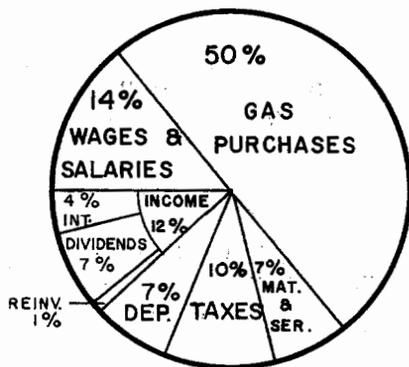
ELECTRICITY
PRIVATE UTILITIES



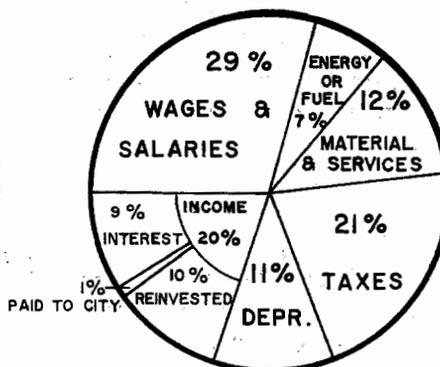
TELEPHONE



GAS

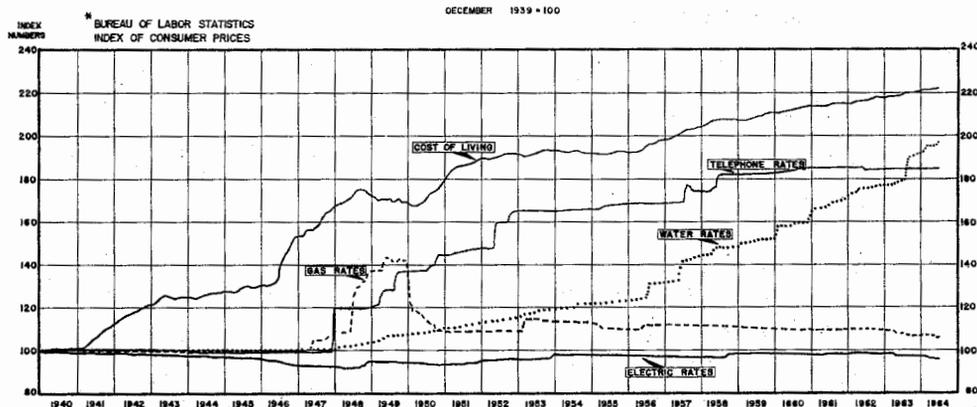


WATER
MUNICIPAL UTILITIES



Each type of utility has its own operating characteristics. Largely because mass production and high volume and increased use by existing customers are especially advantageous to electric and gas utility operation, rates of those utilities have remained comparatively low for many years.

INDEX NUMBERS OF PUBLIC UTILITY RATES IN WISCONSIN AND
COST OF LIVING (U.S.) *



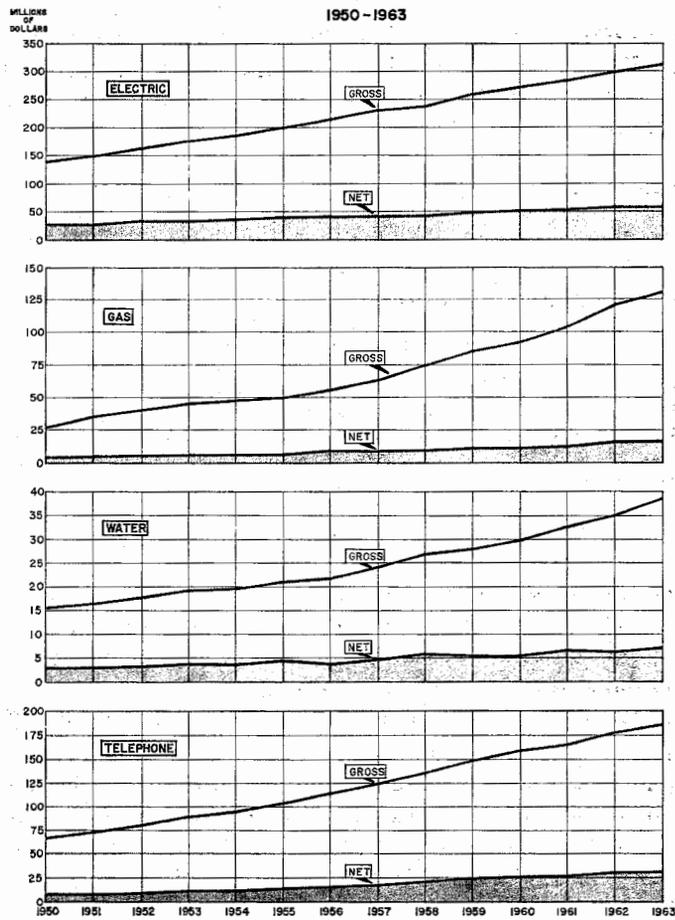
Service in areas with a low population density involve a disproportionate quantity of plant and maintenance per customer. Water utilities are sometimes confronted with an inadequate supply and must therefore add new wells or increase the availability of surface water.

When the cost of providing utility service mounts, gross revenues must often be increased so that the utility may continue to be able to give adequate service (see graphs on page 9).

D. Standard of living

The rising standard of living generates a qualitative, as well as quantitative, demand for utility services. For example, in a telephone service order, the Commission, in its Findings of Fact, stated:

GROSS AND NET OPERATING REVENUES
PUBLIC UTILITIES OPERATING IN WISCONSIN



Oneida subscribers may reasonably request that dial service be furnished them. They have a strong community of interest with Green Bay and De Pere, which cities have dial service. . . (2-U-5894—June 20, 1963)

The increased use of lakes and streams for recreation is evidenced by the growing number of applications for permits for piers, for permission to place sand blankets in water beds near beaches, for enlargement of waterways in

connection with real estate developments so as to provide access to lakes, and for authority to construct dams which will hold pools for recreational purposes.

With increased income per capita, public carriers of passengers face a lessening demand as the use of private automobiles continues to be favored over patronage of busses and trains.

E. Safety and efficiency

The safety and efficiency of facilities, installations, and service are furthered by inspections and investigations made by Commission staff members.

July 1, 1962—June 30, 1964

Motor carrier field investigations	5,065*
Railroad service and field investigations	706
Highway-railroad crossing signal plans approved	390
Utility service and field investigations	1,137
Water power field inspections and surveys	1,118

* Procedure and operation begun January 1, 1963.

Some of these inspections are periodic checks; some are performed to provide information in connection with formal hearings and proceedings; others are made in response to customer inquiries or complaints.

The Commission established rules effective July 1, 1962, for the purpose of preventing interruption of service and damage to electric, gas, telephone, or water facilities when excavating, building, or wrecking operations are being done in the vicinity (sections PSC 113.055, PSC 135.07(10), PSC 165.065, and PSC 185.025).

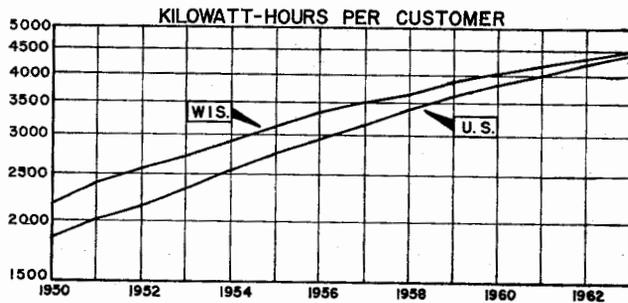
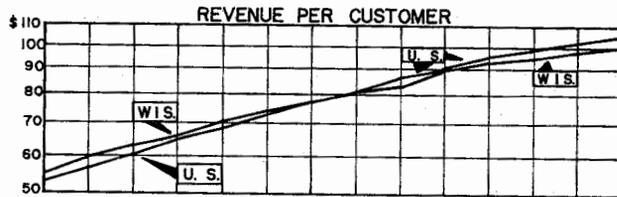
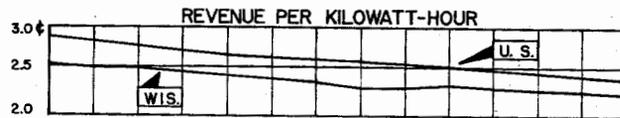
II. ELECTRIC UTILITIES

A. Plant additions

In addition to increased industrial use, residential consumption has more than doubled since 1950. In the previous biennium, 36 certificates of authority were issued for plant expansion costing \$37,269,760. This biennium there were 52 certificates authorizing \$68,709,432 for plant expansion.

ELECTRIC RESIDENTIAL REVENUE AND CONSUMPTION RATIOS

WISCONSIN AND UNITED STATES 1950-63
(RATIO SCALE)



B. Right-of-Way

This biennium saw the first proceeding under section 32.075, Statutes, enacted by the 1955 Legislature, to provide for a utility's condemnation of land for necessary construction which is not likely to commence within 2 years. Because of a forecast by Wisconsin Power and Light Company that service to the Fond du Lac area will require additional power lines and a substation in 1966, the Commission issued an order in Docket No. CA-4270 (October 4, 1963) to enable the company to acquire a right-of-way for the project. (48 P.S.C.W. 570)

C. Wholesale rates—Electric municipal utilities; cooperatives

The cities of Boscobel, Columbus, Cuba City, Juneau, Lodi, Plymouth, Princeton, Sheboygan Falls, Sun Prairie, and Waupun alleged that there is no justification for Wisconsin Power and Light Company to charge municipal electric utilities a higher wholesale rate than that charged cooperatives. In a January 10, 1964, order in Docket No. 2-U-5624, the Commission found that different and separate rate schedules were justified by (1) the fact that cooperatives install their own delivery facilities and are served on a "come-and-get-it" basis, whereas the Power Company finances such facilities for service to municipal utilities, and (2) because of significant differences in load characteristics and demand curves.

The matter is now before the Circuit Court for Dane County on petition for review.

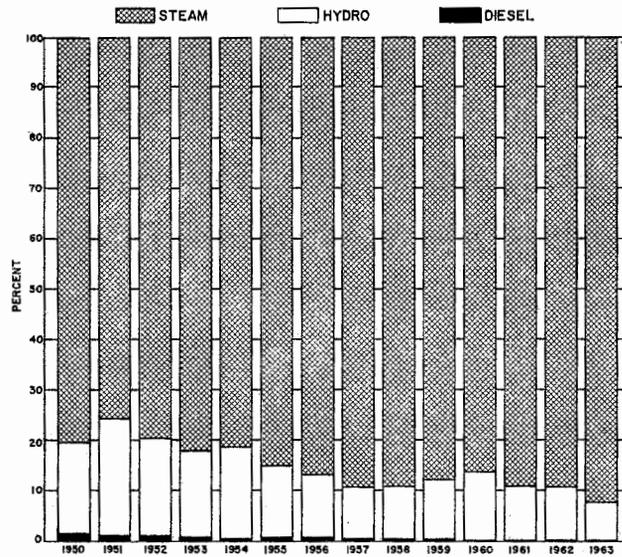
D. Rates—Submetering

A November 29, 1962 order in Docket No. 2-U-5794 prohibited resale of power by retail customers of Wisconsin Electric Power Company except where such practice previously existed or where customers already had a building permit for installation of submetering facilities. (See 48 P.S.C.W. 772.)

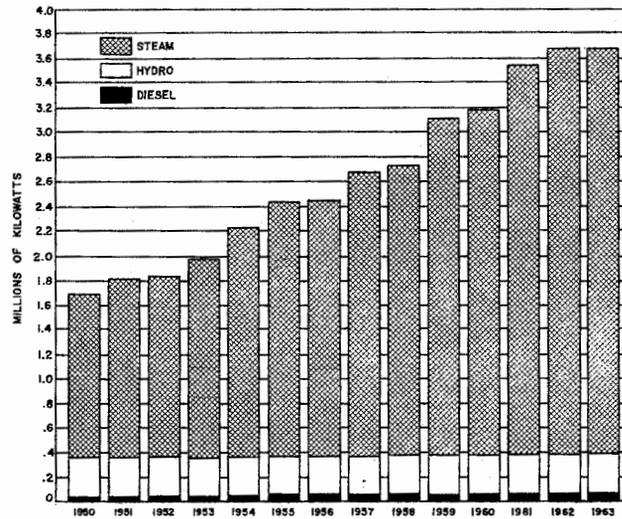
E. Administrative code

Numerous changes in the Wisconsin Electrical Code, which is administered by the Public Service Commission and the Industrial Commission, were adopted to become effective May 1, 1964.

KILOWATT HOURS GENERATED BY UTILITIES IN WISCONSIN
 PERCENTAGE DISTRIBUTION BY TYPE OF GENERATION
 1950-1963



ELECTRIC GENERATING CAPACITY OF UTILITIES
 IN WISCONSIN
 1950-1963



III. GAS UTILITIES

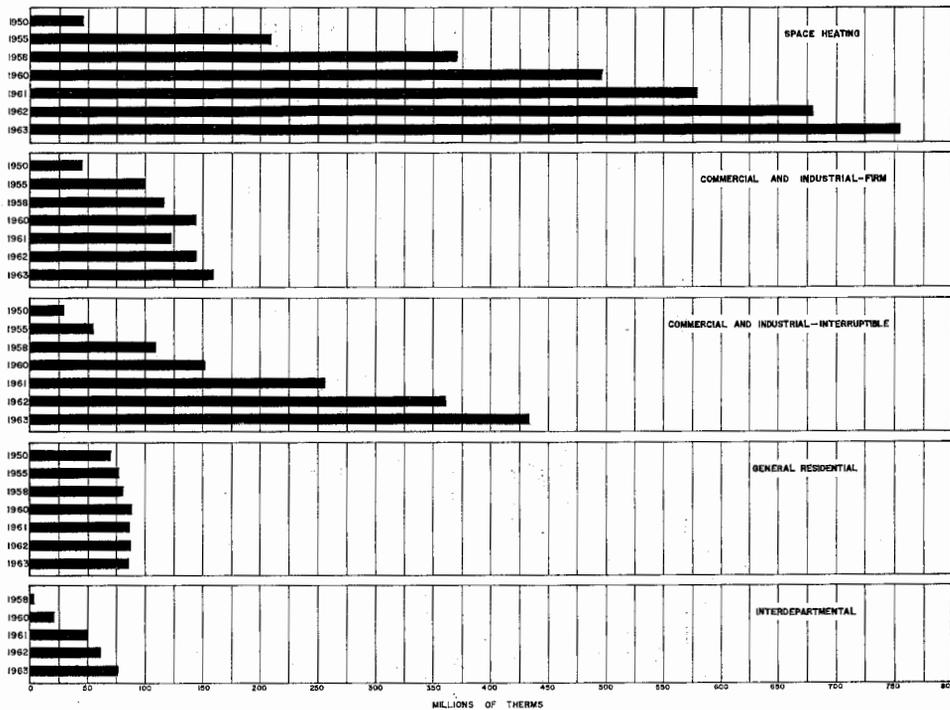
A. Natural gas in Wisconsin

Natural gas utility service was introduced in Wisconsin in 1946 with Wisconsin Southern Gas Company as the first distributor and Natural Gas Pipe Line Company as the sole supplier.

By 1949-50 when Michigan Wisconsin Pipe Line Company began supplying a substantial quantity of natural gas, rates dropped sharply (See Index numbers graph on page 8). Today, there are two additional suppliers, Midwestern Gas Transmission Company and Northern Natural Gas Company, as well as a considerable extension of additional

WISCONSIN GAS UTILITIES

SALES OF GAS IN WISCONSIN



gas by Michigan-Wisconsin. The waiting lists for space heating have disappeared, and construction for extension of service continues steadily.

Service is available in a great number of cities and villages and many of the towns south and east of a line from Prairie du Chien to Green Bay. In addition, there is now, or soon will be, natural gas service in many communities along and near gas lines from:

Marinette to Waupaca,
Rhinelander to Stevens Point,
La Crosse to Tomah,
New Richmond to Ladysmith, and
Abbotsford to Eau Claire.

Except for the city of Superior, the far northern strip of the state, with its relatively low population density, does not have natural gas service.

An application is pending before the Federal Power Commission for authority to extend a Northern Natural Gas Company pipeline from near Duluth, Minnesota, across Wisconsin past Ashland to a point near Hurley.

Pending before the Public Service Commission are applications of several distributing gas utilities for authority to bring natural gas service for the first time to parts of Clark, Pierce, Trempealeau, Jackson, and Eau Claire Counties. The communities involved are Loyal, River Falls, Augusta, Osseo, Strum, Blair, Pigeon Falls, Whitehall, Hixton, Taylor, Black River Falls, Ettrick, and Galesville. (Between July 1, 1964, and August 31, 1964, applications were filed to bring service to Ellsworth, Clyman, Clayton, Turtle Lake, Almena, Boyceville, Colfax, Independence, Mondovi, Arcadia, Eleva, and Durand.)

It is expected that by 1965 there will be little propane gas utility service, other than for emergency or peak shaving.

B. Service area disputes

Before a company may convert to or introduce natural gas service in any town, village, or city, (1) the local governmental body must adopt a "contract, ordinance, or resolution" approving and authorizing the utility to provide

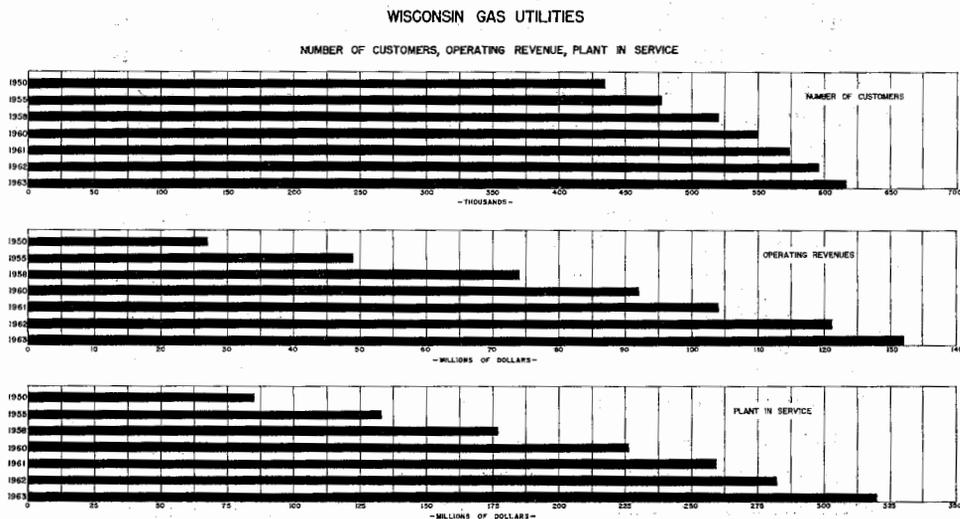
such service and (2) the Commission must grant the utility a certificate authorizing it to perform the service and construct and install plant and facilities therefor (sections 196.49 and 196.58 (6), Statutes).

As in the previous biennium, there have been several gas service area disputes. In three cases involving service in Dane County by Madison Gas and Electric Company or Wisconsin Power and Light Company, areas were assigned on the basis of economically feasible service and practicable installation in towns or villages from which the companies had obtained the necessary municipal permits.

In another case (Dockets Nos. CA-4179, CA-4212, and CA-4216—November 22, 1963), service areas were authorized according to an agreement between Wisconsin Power and Light Company, Milwaukee Gas Light Company, and North Central Public Service Corporation. (48 P.S.C.W. 618)

C. Plant additions

As the graph below illustrates, additional service is requiring large investment in plant. Much of the \$16,652,949



expenditure authorized by the 59 certificates issued during the 1962-64 biennium is beyond the time span of the graph, since many of the amounts are designated for construction made during the first three years of service.

The first system entirely utilizing plastic mains and services was installed by Wisconsin Public Service Corporation in 1933 to serve Junction City. A few other such systems are in the process of construction and some companies, where the replacement of old cast iron main is required, have inserted plastic sections.

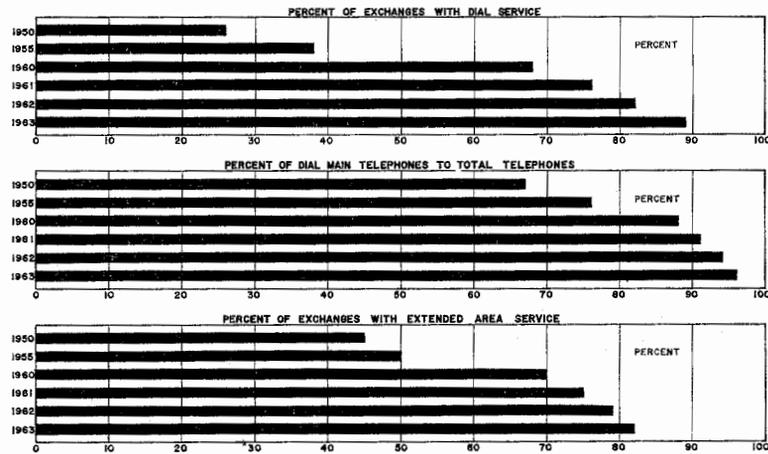
Both as to materials cost and cost of installation, plastic tends to involve less investment than the coated steel otherwise used. It is possible that further research by the plastic industry will widen the differences in costs of the two materials.

IV. TELEPHONE UTILITIES

A. Dane County—Extended-area service

A June 19, 1962, interim order in Docket No. 2-U-5669 (47 P.S.C.W. 439-446) denied a petition for county-wide extended-area telephone service in Dane County, but retained jurisdiction to act on data regarding toll usage, as indicated by subsequent investigation, between those points (12 out of 338) showing more than one toll message a month per main station.

WISCONSIN TELEPHONE UTILITIES



Investigation was terminated in three dockets by May 9, 1963 orders concerned with Black Earth, Mazomanie, and Mt. Horeb extended-area service with Madison, to which toll service is ordered continued. The Commission held that it would not be in the public interest to require all customers to pay the cost of extended-area service since the evidence showed that 49.6% of the calls to Madison were made by 4.84% of the customers. (Dockets Nos. 2-U-5882, 2-U-5884, and 2-U-5885—48 P.S.C.W. 269.)

However, Madison extended-area service was ordered established with Belleville and Deerfield exchanges where 83% and 74.2%, respectively, of the customers voted for such service at the advanced rates which would be required. (Dockets Nos. 2-U-5881 and 2-U-5883—48 P.S.C.W. 269.)

B. Service in Milwaukee Area

In the last biennium, there were several orders relating to extended-area service, zone rates, and message-unit service within the Milwaukee Metropolitan Area. This biennium witnessed conferences, studies, and hearing on Wisconsin Telephone Company's proposal to eliminate inter-zone and toll charges between 11 exchanges in the Metropolitan Area by creating one local calling area of approximately 723 square miles with a population estimated at 1,250,000. The Commission, in Docket No. 2-U-6098, ordered that the plan be put into effect.

C. Number of companies

Many small telephone companies, unable to raise the capital to provide plant and service to meet present-day standards of utility service, have sold their assets to other telephone companies. The trend is set forth in the following table:

Year	Number of companies
1952	498
1956	407
1960	266
1962	202
June 30, 1964	176

D. Plant—Additions

There is an increased trend to the use of underground cable, particularly when service is being upgraded in rural areas.

The improvements in service made by conversion to dial, the increase in calling area due to extended-area service, and the upgrading of service in rural areas require large investment in new plant. The \$5,451,144 expenditure authorized by certificates of authority issued to 23 telephone

utilities during the biennium was chiefly for central office equipment.

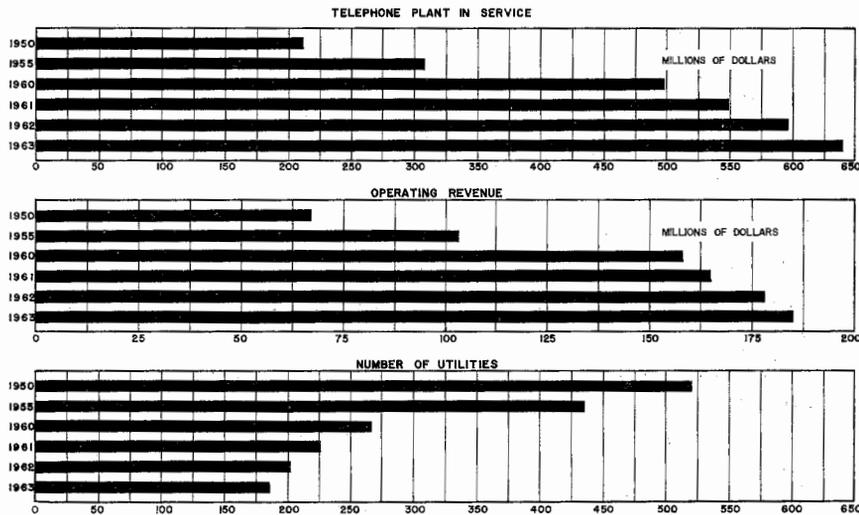
Class A or B telephone companies may file annual, calendar-year budgets for Commission approval. Calendar-year budgets approved are listed below:

Utility	Gross Amount Approved	
	1963	1964
Wisconsin Telephone Company.....	\$44,418,000	\$43,634,000
General Telephone.....	8,443,000	10,377,000
Chibardun Telephone (pending).....	None	565,892
Farmers Union Telephone.....	None	392,510
La Crosse Telephone.....	687,200	799,200
North-West Telephone.....	None	547,081
Boscobel Telephone.....	None	45,637
Wood County Telephone.....	319,000	434,833
Midway Telephone.....	None	80,146
Milton-Milton Junction.....	None	17,294
Monroe County Telephone.....	None	777,115

E. Toll Revenue

In spite of the fact that there has been no increase in toll rates, and that extended-area service has increased, there has been an increase in toll revenue in this biennium.

WISCONSIN TELEPHONE UTILITIES



V. WATER UTILITIES

A. Additional plant—Lake Michigan

Investment in water utility plant rose from \$327,315,000 at the end of 1962 to \$348,451,000 at the end of 1963. Much of the \$26,713,430 plant authorized by the 99 certificates of authority issued during the biennium is still being constructed, and additional large sums have been spent on transmission mains.

Lowering of the water table has frequently required rehabilitation of wells or construction of new wells. In some parts of the state, a number of water utilities have been forced to turn to Lake Michigan for a water supply. This movement started about 1957 when Green Bay abandoned its wells and began using water from Lake Michigan, some 30 miles away.

In the last few years when Wauwatosa's well supply was proving inadequate, it began purchasing water from Milwaukee on an off-peak temporary emergency basis. Rates for the now-permanent wholesale service were authorized in a December 4, 1962 order in Docket No. 2-U-5215 (47 P.S.C.W. 789). Wauwatosa has annexed large areas, which obtain water from private wells and small subdivision wells yielding poor, often contaminated, water. The certificated \$3,007,450 of plant additions will enable Wauwatosa to give adequate service to the area (48 P.S.C.W. 215).

These problems confront many water utilities. Several orders are summarized below as examples.

B. Lakes as water source—New law

Chapter 444, Laws of 1963, amended section 30.21 to allow a city, village, or town water utility to go 50 (rather than the previous 30) miles to procure Lake Michigan or Lake Superior water. The change was precipitated by the desire of the Appleton water utility to use water from Lake Michigan which is beyond the previous limitation. Chapter

444 requires that the municipality, concurrently with construction of facilities to withdraw water, construct an adequate sewage system which will return the purified effluent to the Great Lakes Basin.

C. Obligation to serve—Water and sewer service

In 1955 when Altoona water utility initially offered wholesale water and sewer service to Washington Heights Sanitary District, there were 504 customers in the city, 38 in the District. These numbers rose to 641 and 212, respectively. Yield of wells dropped, and the sewage system was overloaded, increasing the pollution of the receiving water-course. The city's application for authority to discontinue service to the District was denied by order in Docket No. 2-U-5968—September 16, 1963 (48 P.S.C.W. 524), wherein the Commission said that:

. . . Once it began to provide the service, it acquired a legal responsibility and obligation to serve. . . . If the continuation of service requires additional facilities, they must be provided. . . .*

The Altoona utility, however, continues to provide sewer service at wholesale. The Board of Health and the State Committee on Water Pollution favor a "single [sewage] treatment plant, in lieu of multiple plants in areas where the sewer systems of various political units can be interconnected." This operation facilitates the control and protection of surface water resources in the area. The Public Service Commission's policy is to make the Board of Health approval of plans a condition for Commission authorization of sewer plant additions (48 P.S.C.W. 527).

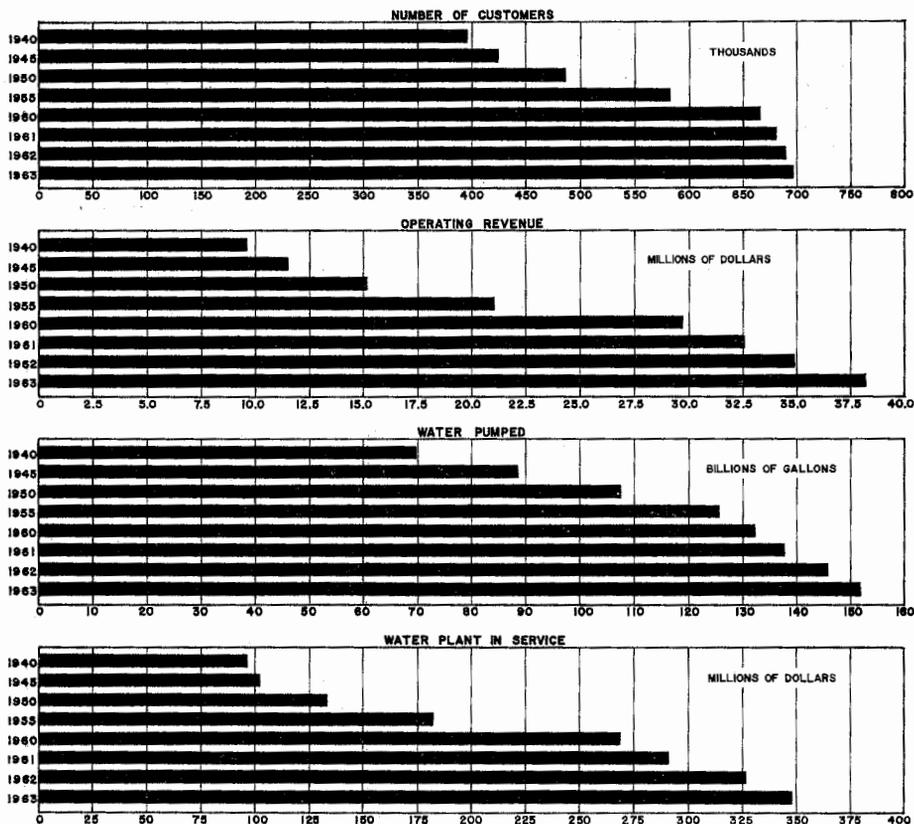
D. Obligation to serve—Cooperative—Jurisdiction

Again, upon a similar finding of obligation to continue service, Carl Strom (Twin Lakes Water Company) was denied authority to discontinue water service in the village of Twin Lakes, Kenosha County. The utility, which had

* The District later decided to construct its own water supply source and was certificated to do so in Docket No. CA-4326—March 17, 1964.

been operating at a loss, was granted a rate increase to provide for a 5.5% return. (Docket No. 2-U-5853—April 4, 1963—48 P.S.C.W. 185.)

WISCONSIN WATER UTILITIES



By order in Docket No. 2-U-6024—December 17, 1963, the Commission approved the sale of the utility to a co-operative whose members are all of the utility customers. Service by the cooperative will not be under the jurisdiction of the Commission (48 P.S.C.W. 189).

E. Milwaukee water utility—Rates

The Commission dismissed the Milwaukee water utility's application for a 30% to 33% higher suburban retail rate to customers connected after a specified date on the ground that the increased rates were not justified merely on the basis of time of connection (47 P.S.C.W. 509).

An August 27, 1962 order authorized an annual revenue increase of \$1,985,000 for the Milwaukee utility (47 P.S.C.W. 540). The July 5, 1963 order dealt with the city's proposed rate schedules to achieve that increase. Proposed rates for public fire-protection service were adjusted to cover the full cost of such service. Rates for service beyond the city limits will produce a 6% return on the rate base involved (7.5% had been requested), but rates to customers within the city bring the over-all return to less than 6%. The new suburban resale and county service rate schedule provides for a 5% surcharge to apply to those customers unwilling to enter into a 15-year service contract (48 P.S.C.W. 384, 391).

On its own motion, the Commission began an investigation of the practice of the Milwaukee water utility in selling water at retail to customers who later resold the water. A December 3, 1963 order suggested rules which would require that rates to ultimate consumers be no higher than those which would be charged if the sale were made by the utility to the consumer (48 P.S.C.W. 639).

VI. SECURITIES—ACCOUNTING—UTILITIES

A. Security issues

Under the provisions of Chapter 184, Statutes, a public service corporation must obtain a certificate of authority from the Public Service Commission before it can issue securities. In general, public service corporations, as defined in section 184.01, Statutes, include privately owned public utility corporations, but not municipally owned utilities.

During the biennium covered by this report, the Commission considered 73 applications and granted authorizations to issue \$171,364,424 par or face value of securities. Proceeds from the sale of such securities, exclusive of corporate issuance expense, aggregated \$171,620,997. Classification of these amounts by types of securities is shown below:

Type of Security	Par or face value	Proceeds	
		Amount	%
Common stock.....	\$100,342,584	\$100,635,997	58.7
Preferred stock.....	175,000	175,000	1.0
Bonds and other debt.....	70,846,890	70,810,000	41.3
Total.....	\$171,364,424	\$171,620,997	100.0

About 40% of these security issues was to supply new capital to the utility industry of the state to finance construction of plant facilities, as is indicated in the following tabulation:

Proceeds used for	Amount	%
Construction	\$ 68,259,648	39.8
Refunding of outstanding securities	22,162,671	12.9
Stock dividends	79,959,291	46.6
Merger or acquisition of property	1,239,387	.7
Total	\$171,620,997	100.0

In authorizing the issuance of securities of public service corporations, the statutes require that the Commission must find that the financial condition, plan of operation, and proposed undertakings of the corporation are such as to afford reasonable protection to purchasers of the securities to be issued. In making such a finding, the Commission must consider the statutory requirement that the amount of securities of each class which any public service corporation may issue shall bear a reasonable proportion to each other and to the value of the property. This means that the relative amount of senior securities which may be issued must be reasonable in relation to the common stock equity of the corporation.

B. Accounting

Administration of the various statutes applicable to financial and accounting activities of public utilities is done through the Accounts and Finance department of the Commission. This activity involves design, preparation, and review of the annual reports of all utilities required to be filed with the Commission; installation of new accounting systems; auditing of books and records; rendering of advice and assistance to both new and established utilities with respect to financial and accounting matters; determination of annual depreciation rates on utility property; review of contracts and transactions between utilities and affiliated organizations; investigation of compliance with prescribed accounting in financial practices of utilities; attendance at hearings and conferences; and presentations of evidence obtained in its investigations. As a result of this work, a vast amount of necessary facts and information about the operation of utilities is available to the Commission and its staff for guidance in regulatory matters.

An important function of the Accounts and Finance Department is to present evidence in rate cases with respect to cost of capital for consideration of the Commission in determining rates of return. Under this function, the Commission is furnished with up-to-date information as to the rates of return earned by the various Wisconsin utilities under its jurisdiction. Continuous studies are made of fi-

nancial data relating to the securities of public utilities and other enterprises so as to furnish information and data for use in presenting cost-of-capital studies to the Commission.

Contracts and arrangements between public utilities and affiliated interests, as defined by the statute, are reviewed for the reasonableness of such transactions and to ascertain the cost to the affiliated interest of rendering services or furnishing property to the public utility.

In this connection, the Circuit Court of Dane County in *General Telephone Company of Wisconsin v. Wisconsin Public Service Commission* (1963, 46 PUR (3d) 1) handed down a decision during this biennium with respect to the Commission's treatment of the company's transactions with affiliated interests. In that case, the allowed rate of return was reduced (1) to eliminate the effect on General Telephone Company of Wisconsin of its payments to manufacturing, sales, and directory subsidiaries of the Parent company (General Telephone & Electronics Corporation) to the extent that such payments resulted in a return in excess of 15% on Parent's investment applicable to said subsidiary's business done with the Wisconsin company and (2) to allocate to the Wisconsin utility its proportionate share of the tax savings due to filing a consolidated tax return with its Parent and affiliates. The court upheld the Commission in both of these matters stating, with respect to No. (1), that the utility did not meet the burden of proof as required by statute to submit satisfactory proof as to the cost to the affiliated interest of rendering the service or furnishing the property and, as the Commission has the power to disallow such payments or compensation in whole or in part, the amount disallowed cannot be determined to be unreasonable; and with respect to No. (2), the Commission properly determined that the Wisconsin utility is entitled to its share of the tax saving resulting from filing a consolidated Federal income tax return, as it would be unfair and inequitable for the Parent company to take the advantage derived from its position without giving any recognition to the need for the contributions of the subsidiary.

A case involving compliance with prescribed accounting and financial practices originated on December 17, 1962, when the Commission, in Docket No. 2-U-5846 instituted, on its own motion, an investigation of the accounts, records, and practices of Milwaukee Gas Light Company. A hearing was held in this proceeding on February 4, 1963, at which time the Commission accounting staff presented evidence as to the results of its investigation of the records of the utility. Following additional examination of the company's records and numerous conferences, further hearing was held on December 12, 1963, at which time evidence was introduced indicating that as a result of such investigation, the investment in utility plant was reduced \$1,596,000. Changes in accounting procedures relating to capitalization of construction overheads were made to reduce amounts capitalized by about \$144,000 a year, and numerous changes were made with respect to reclassification of accounts and changes in operating procedures with respect to accounting for expenditures of the company. The company acquiesced in the accounting adjustments recommended by the Commission and recorded such adjustments in its accounts and, accordingly, the proceedings were terminated by order in the above docket dated December 17, 1963 (48 P.S.C.W. 674).

C. Depreciation rates

Under section 196.09, Statutes, the Commission is empowered to certify depreciation rates for utilities. When such rates are certified, the depreciation allowance computed thereby must be recorded in the utility's accounts and must be used by the Commission in proceedings involving rates for service.

The Commission has certified depreciation rates for Class A and B electric, gas, water, and telephone utilities. However, depreciation rates for the Class C and D utilities have not been certified by formal order of the Commission. The depreciation allowances recorded by each of these utilities are reviewed by the staff when the annual report of the utility is audited. At such time, calculations are made by the staff on the basis of general average depreciation

rates, and the utility is informed of the result thereof, together with recommendations as to changes in its depreciation allowances. Through such annual review of the depreciation charges of the small utilities, it is believed that their depreciation practices can be kept reasonably in line without formal certification of class rates of depreciation for each utility.

In Docket No. 2-U-5837, September 24, 1962, the Commission on its own motion instituted an investigation of depreciation rates for Class A and B municipal utilities. Depreciation rates then in effect had been determined generally on plant investment and conditions existing approximately 10 years previously. In view of growth in plant, revisions in operating procedures, and changes in the art, it was considered desirable to make current detailed studies of plant investment so that changes in the certified depreciation rates could be made. Such studies have now been completed.

As a result of the new Uniform Systems of Accounts adopted by the Commission effective January 1, 1960, for municipally owned utilities, a number of utilities classified as B utilities prior to 1960 were, under the requirements of the systems of accounts, reclassified as C and D utilities and permitted to adopt the accounting systems applicable to such smaller utilities. As these utilities were operating under depreciation rates certified by the Commission prior to January 1, 1960, these utilities were, in Docket No. 2-U-5837, September 24, 1962, authorized to convert the class depreciation rates previously certified to equivalent over-all composite depreciation rates and further permitted to change such composite depreciation rates as necessary in accordance with the life and salvage characteristics of the property.

D. Investment tax credit

The Internal Revenue Acts of 1962 and 1964 provide an investment tax credit to reduce Federal income tax liability, computed as a percentage of the qualified investment made during the year in equipment (except structures) having a service life of four years or more. Generally, the percentage

is 3% on electric, telephone, water, local gas distribution, regulated sewage disposal, and domestic telegraph properties and 7% on transportation utilities, natural gas pipelines, international telegraph facilities within the United States, and industry in general.

The enactment of a tax law whereby the tax liability was in part dependent on the amount spent for plant construction brought forth a sharp cleavage in opinion as to whether the amount of the tax credit was (a) a reduction in the cost of plant or (b) a reduction in tax expense.

Those who viewed the tax credit as a reduction in the cost of plant took the position that the investment tax credit should be deferred and included in income only ratably over the life of the property. Supporters of this 100% deferral method rely mainly on the view: (1) that income arises from use of property rather than from its acquisition; (2) that for accounting purposes, investment tax credits are analogous to price reductions; and (3) that the method conforms with congressional intent in enacting the investment tax credit.

Others were of the opinion that the investment tax credit should "flow through" to reduce tax expense with a concomitant increase in income. This procedure reflects the view that although the investment tax credit arises through having made an investment in plant, it is, nevertheless, nothing more or less than another element in the computation of Federal income taxes. Therefore, such credits should be applied to reduce the tax which would otherwise be payable without the credit, and the income account should reflect the benefits in the year of origin, rather than in the indefinite future, through deferral.

This Commission has consistently held that the investment tax credit is a reduction of Federal income tax expense and should be accounted for accordingly. On November 29, 1962, a letter was sent to privately owned electric, gas, water, and telephone utilities reminding them that systems of account issued by the Commission provided that accounts for tax expenses were chargeable with the actual liability for taxes or a reasonable estimate of such liability and that, "In accordance with the provisions of these sys-

tems, the amount of the investment credit must be applied to reduce income tax expense, with resulting increase in the net income of the utility. This is the so-called 'flow-through' treatment of the investment credit."

The Commission has followed a similar procedure in the treatment of the investment tax credit for rate purposes. The credit has been applied to reduce the tax expense of the utility and the resulting tax saving, to the extent permitted by the return earned by the utility, has been passed on to consumers.

E. Liberalized depreciation

The 1954 Internal Revenue Code permitted a taxpayer, at his option, to use liberalized depreciation methods which yielded larger deductions for depreciation in the earlier years of the life of property than the commonly used straight-line method, with resulting savings in Federal income taxes. However, the aggregate amount of depreciation allowable cannot exceed the cost of the property so that, viewing the plant as a single unit, the larger earlier allowances for depreciation under the liberalized methods may be offset in later years by allowances which are less than the straight-line amounts.

The probability or contingency of reduced depreciation allowances, with concomitant higher Federal income taxes in the later years of life of plant, resulted in accounting support in some quarters that all of the Federal income tax savings should not be reflected in income in the year realized but part should be deferred and carried in a reserve account to be applied against tax increases in the future when liberalized depreciation allowances would be less.

This Commission has not recognized any Federal income tax deferrals. Its position has been that the accounts of a utility should include only the actual liability for Federal income taxes. The problem has been considered not as a matter of determining income tax liability but as estimating the depreciation expense reasonably included in operating expenses of the utility.

Under provisions of section 196.09, Statutes, depreciation rates are certified to utilities, computed by the straight-

line method. For utilities using liberalized depreciation methods for income tax purposes, the Commission has authorized, upon application of the utility, depreciation expense to be based upon (a) the amount indicated by the straight-line depreciation rate plus (b) 52% (the Federal income tax rate in effect at the time the depreciation orders were issued) of the difference between the liberalized depreciation allowance and the straight-line amount.

Utilities which have availed themselves of the opportunity to save taxes through liberalized depreciation have been permitted to charge additional depreciation, thus generating more cash from operations for replacement and improvement of plant facilities. At the same time, consumers have been given *pro tanto* credit because the liberalized depreciation allowances have been applied to decrease the rate base.

This Commission has participated in a number of cases before Federal Power Commission and has urged that FPC either adopt "flow-through" treatment of the tax savings from liberalized depreciation or, alternatively, exclude the accumulated provision for future taxes from the rate base. The recent decision of FPC in the Alabama-Tennessee case (52 PUR (3d) 118 (FPC 1964)) meets this objective.

VII. TRANSPORTATION OF PASSENGERS

A. Passenger busses

1. Milwaukee "Freeway Flyer"

On March 30, 1964, Milwaukee & Suburban Transport Corporation began operation of its "Freeway Flyer" Monday-through-Friday, rush-hour bus service between the Mayfair Shopping Center in Wauwatosa and 11 designated points in downtown Milwaukee. As authorized by a March 16, 1964 order in Docket No. CC-761, an extra five cents was added to the regular fare as the charge for this express service which saves 20- to 25-minutes' traveling time as compared to regular transit routes. Arrangements were made to permit users of the "Freeway Flyer" to park their automobiles, without cost, in a section of the shopping center parking area.

The growing use of these special express busses is demonstrated by the daily average number of passengers increasing from 281, in its initial week of operation, to 442 for the week of July 13-17, 1964.

2. Madison—Transit Advisory Committee

In accordance with suggestions made by A. Wilford Larson, director of transport regulation, a Transit Advisory Committee was formed to make studies and investigations with a view to improving mass transportation of passengers in the Madison area. The committee will explore possible changes in routes or schedules and the development of express, or other types of service, where they can be coordinated with street and traffic improvements.

The traffic engineer of the city of Madison, the president of the bus company, and a Commission staff member, who comprise the Transit Advisory Committee, held their first meeting June 17, 1964.

3. *Riding trends—Urban busses*

As the following figures indicate, the Wisconsin urban bus riding trend is consistently downward:

Year	URBAN BUS SERVICE		SUBURBAN BUS SERVICE*	
	Passengers	Vehicle Miles	Passengers	Vehicle Miles
	(in thousands)		(in thousands)	
1950	294,348	54,569	3,730	2,495
1952	281,291	51,349	4,043	3,404
1954	185,288	46,000	2,896	2,842
1956	156,806	40,066	2,330	2,609
1958	135,324	36,712	1,694	1,913
1960	130,939	35,356	1,815	2,070
1962	119,065	33,881	1,793	2,018
1963	113,448	33,449	2,054	2,696

*The suburban group includes the type of service performed between nearby urban areas which cannot well be included in Urban Type Service.

The August 30, 1962 order, authorizing Roy W. Anderson to operate as a common motor carrier of passengers in Rice Lake, states that he will be subsidized by the city in the annual amount of \$8,000 (Docket No. CC-920). The city of Beloit pays a total of \$12,000 a year to the copartnership doing business as Beloit City Bus Lines. There is no definite indication as to how long, and in what amounts, the subsidies will continue.

The urban bus systems of the cities of Ashland, Janesville, and Merrill are municipally owned.

B. Passenger trains

Wisconsin passenger traffic reflects the national trends shown in the table below:

PERCENTAGE DISTRIBUTION OF INTERCITY PASSENGER
MILES BY KIND OF TRANSPORTATION

(United States)

Year	All railroads	Motor carriers of passengers	Airways	Inland waterways	Private automobiles
1950	8.11%	5.31%	2.01%	.30%	84.27%
1952	6.24	5.40	2.56	.25	85.55
1954	4.71	4.10	3.13	.27	87.79
1956	4.09	3.61	3.65	.27	88.38
1958	3.35	2.95	4.05	.29	89.36
1960	2.84	2.62	4.48	.35	89.70
1961	2.65	2.54	4.46	.30	90.04
1962	2.50	2.64	4.65	.34	89.87

The declining use of railroads has resulted in several petitions to the Interstate Commerce Commission for authority to discontinue service.

1. Superior-Chicago trains—Mail traffic

The Public Service Commission participated, as its interests may appear, in an ICC proceeding on the Soo Line Railroad's proposed discontinuance of trains Nos. 3 and 4 between Chicago, Illinois, and Superior, Wisconsin, and trains Nos. 5 and 6 between Owen and St. Paul.

The principal factor prompting the application was the withdrawal of a substantial portion of mail traffic by the Post Office Department, effective April 25, 1964. Prior to removal of mail and to the railroad's application, a Commission staff representative participated in a House Committee Conference with postal authorities in Washington D. C. It was urged that consideration be given to the retention of mail traffic on these and other trains where the removal of such traffic would likely render continued operation of the trains grossly uneconomical and subject to discontinuance.

2. Milwaukee-Green Bay—Experimental trains

Among several other ICC proceedings in which the Public Service Commission participated was one in which Chicago and North Western Railway proposed to discontinue trains Nos. 212 and 215 between Chicago and Ashland, Nos. 124-212 and 215-123 between Chicago and Land O' Lakes, and No. 211 between Chicago and Green Bay. Directly related to the proposal was the application for Public Service Commission authority to discontinue train No. 120 between Green Bay and Milwaukee.

This Commission took the unique position in the interstate proceeding of conditionally supporting the carrier's proposal, provided an additional train service was instituted between Milwaukee and Green Bay via the Lakeshore Route in through train service to and from Chicago. The reason for such position is best summed up by the following excerpts from a letter written by the Commission:

The problem before the Commission was to determine what position it should take before the Interstate Commerce Commission. After studying the financial data submitted for the trains involved, the Commission was of the opinion, based upon long experience in matters of this kind, that the Interstate Commerce Commission would grant the application to discontinue these trains. This conclusion is inevitable when it is realized that these trains receive only 27 percent of their revenue from passenger sources and that an average of only four passengers in each direction used the trains to or from Ashland during 1963.

The Commission was aware that there was a need for better train service on the shoreline between Chicago and Green Bay. Consequently, members of the staff conferred with representatives of the railroad, urging this new service. The railroad offered to give the new service if we did not oppose its application to remove the trains operating in the valley.

We are confident the position taken by this Commission is in the best interest of the state. . . . The action we took gained a new service for some of the people of this state and gave up nothing that we could have saved for them.

The North Western Railway's interstate application was granted by ICC on June 18, 1964. A Public Service Commission order dated June 12, 1964 (Docket No. 2-R-4503) conditioned the discontinuance of train No. 120 on the substitution of experimental trains between Green Bay and Milwaukee. Though said trains, now in operation, will incur an annual out-of-pocket loss of \$86,000 based on known existing traffic on segments of the discontinued train service, the railroad does not intend to withdraw the operation if a definite improvement or trend is developed during the one-year trial period.

VIII. TRANSPORTATION OF PROPERTY

The movement of freight is a highly competitive industry, with Wisconsin traffic closely following the national pattern shown in the table below :

TOTAL INTERCITY TON-MILES AND PERCENT DISTRIBUTION
BY TRANSPORT AGENCY
(United States)

Year	Total Intercity ton-miles in billions	Railroad %	Motor carrier %	Inland and Great Lakes waterways %	Pipelines* %	Airways %
1954.....	1,124.5	49.50	19.09	15.43	15.94	.040
1955.....	1,277.8	49.41	17.70	16.94	15.91	.040
1956.....	1,360.1	48.22	18.66	16.17	16.91	.041
1957.....	1,326.2	47.22	18.47	17.48	16.79	.043
1958.....	1,215.2	45.98	21.03	15.55	17.39	.048
1959.....	1,295.3	44.97	22.27	15.17	17.52	.057
1960.....	1,326.4	43.66	22.44	16.60	17.24	.059
1961.....	1,327.1	42.95	23.61	15.80	17.57	.067
1962.....	1,393.3	43.06	23.78	16.01	17.06	.084

*Does not include movements of natural gas which, because of wide variance in pipeline pressures and lack of other data, cannot be suitably measured for inclusion in this table (ICC Bureau of Transport Economics & Statistics). Inclusion of natural gas movements in intercity ton-mile estimates, if available, would further dwindle the railroad share of traffic.

The railroad's 43.06% share of 1962 transportation of property is the first example in many years of an increase over the previous year's percentage.

A. Railroads—Freight

1. Carload rates on wheat and flour—Gulf ports

In Joint Resolution No. 26 (1963), the Legislature went on record as opposed to the carload rate reductions on export wheat and flour by railroads serving Gulf ports. Since the rate reductions disturbed the parity of existing rates on the movement of export flour between Gulf and Lake Michigan and Lake Superior ports by as much as 10 cents or more, to the advantage of Gulf ports, Wisconsin railroads and Lake port and allied interests were instrumental in having the reduced rates suspended.

The Public Service Commission, the Attorney General's Office, and other interests intervened on behalf of the protestants. An Interstate Commerce Commission decision dated May 13, 1964 (Investigation and Suspension Docket

No. 7942) cancelled such reduced rates on flour as prejudicially diverting flour tonnage from Lake ports.

2. *Motor carrier operations—Railroads*

The trend in motor carrier operations by railroads, as measured by ton-miles, is distinctly downward (See Table below). The one exception is Soo Line Railroad which has not eliminated less-than-carload service to any significant extent; it has, in fact, instituted pickup and delivery of l.c.l. at numerous smaller stations; and it has broadened its authority to serve additional routes.

TON-MILES OF REVENUE FREIGHT
RAILROAD MOTOR VEHICLE OPERATIONS
Wisconsin

Railroad	1959	1960	1961	1963
C. M. St. P. & P.	1,026,000	867,000	704,000	524,000
C. & N. W.	257,000	17,000	7,000	4,000
G. B. & W.	259,272	347,865	242,820	38,556
Soo Line.....	1,050,522	900,000*	811,290	1,100,000*

*Estimated.

The figures for Chicago and North Western Railway and Green Bay and Western Railroad evidence their substantial reductions in l.c.l. service.

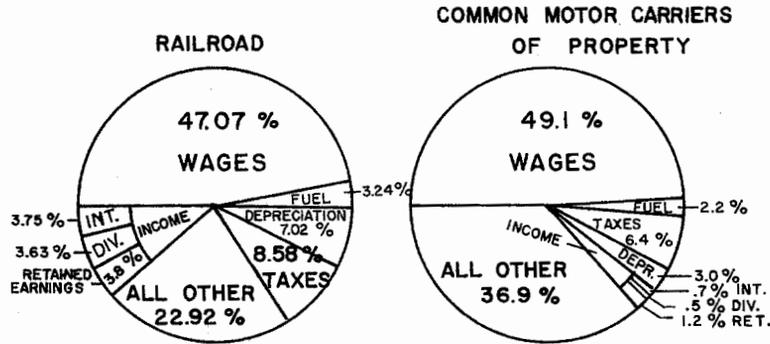
3. *Motor carrier operations—Railway Express Agency, Inc.*

In contrast, motor carrier operations of Railway Express Agency, Inc., have substantially increased in recent years as additional route-miles of motor carrier service are performed, both under its own certificate or license, and as performed by motor carriers whom it hires.

The discontinuance of trains and railroad agency service which formerly transported and handled express traffic is the major factor contributing to increased motor carrier operation, as well as to its establishment of expanded terminal areas. There are now 23 such areas in the state, involving 84 smaller express stations which are consolidated into the expanded and enlarged terminal areas from, and to which, express traffic is transported in line-haul service

by rail, truck, air, or combinations thereof. This service, in many respects superior to that previously available to local communities, usually affords certain operating economies to the express company.

THE TRANSPORTATION REVENUE DOLLAR
1963 DATA



B. Motor carrier transportation of property

1. Common motor carriers

The Wisconsin Association of Common Carrier Truck Operators requested a 2% increase in rates and a 50-cent increase in minimum charges, with a further 30- and 40-cent increase in 1965 and 1966. (A June 3, 1963 order in Docket No. MC-1709 had advanced the minimum charge from \$2.70 to \$3.10 and \$3.60, based on distance involved. See 48 P.S.C.W. 327.) In the June 23, 1964 order, the Commission authorized a 3% rate increase and a 10-cent increase in minimum charges, with an additional 40-cent advance in minimum charges to become effective January 1, 1966.

2. Contract motor carriers

By order of November 8, 1962 (47 P.S.C.W. 710), the Public Service Commission denied a petition of the Wiscon-

sin Motor Carriers Association, Petroleum Division, for a 20% increase in minimum rates, stated in section PSC 16.35, Wisconsin Administrative Code, and effective since November 1, 1958. The order discussed and was, in part, based on comparisons of intrastate petroleum-hauling rates in other states, and of railroad, pipeline, and contract motor carrier charges for such transportation, as well as the possible diversion of such movements from contract to private motor carriers. Hearing has been scheduled in a new docket (MC-1733) wherein a 5% increase in minimum rates has been requested.

3. Motor carrier regulation—Investigators

Pursuant to Chapter 646, Laws of 1961, the Commission employed five investigators to aid in the enforcement of Chapter 194, Statutes, affecting motor carriers. This force was activated January 1, 1963, when funds and qualified personnel became available.

From January, 1963 through June 30, 1964, there were 5,065 investigations made, entailing 155,203 miles of travel, and disclosing 2,110 violations requiring corrective measures. The investigators also assisted in the filing of 492 applications for new authority, abandonment, or deletions of authority; testified at hearings; assisted Motor Vehicle Department inspectors operating scales in the state; and checked on complaints as to carriers' service or facilities.

4. Rental companies

Approximately 120 rental companies hold certificates of registration under Chapter PSC 65, Wisconsin Administrative Code, which became effective August 1, 1962.

Applications for such certificates, including pertinent information about the proposed operations and the rental agreement, are checked by an investigator at the premises of the applicant. There were several formal hearings during this biennium inquiring into the legality of individual operations and resulting in clarifications of allowable practices in regard to driver status and method of compensation.

5. *Administrative Code rules—Highways—Milwaukee Metropolitan Area*

Chapter PSC 50, Wisconsin Administrative Code, relating to motor carriers' use of highways during the tourist season, was revised, effective May 1, 1963, to conform to the actually necessary restrictions in view of recent highway relocations and improvements. In revising this chapter, the Public Service Commission is guided to an appreciable extent by recommendations and information available from the State Patrol and the State Highway Commission.

Chapter PSC 51 formerly required all carriers to use Highway 100 as a bypass around Milwaukee for trips on which no service in the city was rendered. Effective November 1, 1963, section PSC 51.02 was revised to permit ingress and egress to the newly opened Milwaukee County West Expressway in order to relieve congestion on Highway 100.

Subsequent to said revision of section PSC 51.02, the city of Wauwatosa petitioned the Commission to make an exception thereto so that southbound trucks would be required to use Highway 100 between North Avenue and the Zoo Interchange. The circuitry of the proposed route would possibly have diverted traffic from the Expressway to Highway 100 on which traffic has declined by 45% (and accidents by 39%) since the opening of the Expressway.

The Commission denied the Wauwatosa petition, emphasizing that consideration must be given to the interests of all the parties involved:

The Commission must consider the rights and interests, not only of the relatively small number of citizens living in the vicinity of the North Avenue approach, . . . but also the rights and interests of truckers wishing to use the Expressway, members of the traveling public on the highways in the area, and ultimately the rights and interests of the public generally. The Commission must take cognizance of the fact that the Expressway was designed and built by the responsible governmental agencies to be used by all types of traffic for the purpose of relieving the serious and dangerous traffic congestion heretofore existing on State Highway 100. (MC-1021—July 23, 1964)

IX. CIVIL DEFENSE—EMERGENCY TRANSPORTATION

Subsections (6) and (7) of section PSC 95.01, Wisconsin Administrative Code, created to be effective June 1, 1964, deal with the operation and regulation of private motor carriers during a period of emergency proclaimed by the Governor under authority in Chapter 22 of the Statutes, entitled "Civil Defense; Organization for State-wide Emergencies." Chapter PSC 95 has been made a part of Annex G of the Wisconsin Survival Plan.

The State of Wisconsin entered into a contract in the Spring of 1964 with the Office of Emergency Planning (Federal) for the formation of Task Group concepts in resource management. Reports of the four divisions (motor carrier, railroad, air, and inland water) of the Transportation Task Group are to be submitted in completed form by the end of December 1965.

X. RAILROAD-HIGHWAY CROSSING PROTECTION

According to section 195.28, Wisconsin Statutes, the cost of crossing protection installation is apportioned between the State and the railroad on the basis of benefits received. The State's portion, never more than 70% (changed from 50% by Chapter 358, Laws of 1963) of the cost, is paid from the annual \$250,000 appropriation under section 20.420 (79), Statutes. Eight of the highway-overhead grade separations authorized in this biennium were on the Interstate Highway System and federally financed. Data in the table below includes work authorized, but not necessarily completed, during the biennium.

HIGHWAY-RAILROAD CROSSINGS

Protection	1952	1956	1960	June 30, 1962	June 30, 1964
Statutory signs.....	6,542	6,643	6,471	6,480	6,467
Flagman.....	93	68	39	37	35
Gates.....	115	139	168	170	185
Bell.....	90	91	88	86	85
Bell and Light.....	63	51	51	51	49
Wigwag.....	665	641	631	627	611
Flashing lights.....	508	669	825	863	908
Highway overhead.....	419	423	453	477	491
Highway underpass.....	402	404	412	419	421
Total.....	8,898	9,129	9,138	9,210	9,252

The decision as to the type of protection required is based on study of each particular crossing. Consideration is given to such factors as traffic counts, any previous accidents at the crossing, speed of trains and legal speed of vehicular traffic, angle and grade of crossing, obstructions to view of approaching trains, and the use of the street or highway involved as to schools, churches, and fire-fighting equipment.

XI. WATER POWERS

Wisconsin's water resources are among its most valuable natural assets. They are important to industry as a source of electric power and they are essential to the public welfare in the opportunity they afford the general public for recreation. The matters which involve navigable waters under the jurisdiction of the Commission are increasing both in number and in complexity.

A. Uses of Dams

1. Change in types of dams

As shown in the tabulation below, the number of power dams of less than 750 Theoretical Horsepower (THP) has declined from 164 in January of 1960 to 103 in March of 1964. Many of the small dams, where power generation has been discontinued as uneconomical, are still used to maintain lakes or ponds for recreational and scenic purposes. The number of dams for these purposes has increased, over the same period, from 310 to 372. Some of the dams controlling lake levels are for the benefit of riparian real estate developments.

STATE OF WISCONSIN DAMS

Function of Dam	January 1960	February 1962	March 1964
Public Utility Dams Over 750 THP	53	53	58
Industrial Power Dams Over 750 THP	16	16	16
Private Power Dams Supplying All or Partial Power to Utilities Over 750 THP	10	11	9
Dams Owned by United States Government Used for Power Over 750 THP	10	9	9
Dams Owned by Cooperatives	5*	5*	2
Public Utility Dams Under 750 THP	66	60	45
Dams Supplying Electric Power to Utilities Under 750 THP	11	7	7
Private Power Dams Under 750 THP	87	64	51
Dams Used for Storage Reservoirs	30	30	30
Dams Used to Control Levels of Lake—No Power	197	201	226
Dams Used for Recreation—No Power	310	345	372
Industrial Dams—No Power	78	78	78
Drainage Ditch Control Dams Under Jurisdiction of Water Regulatory Board	206	206	206
Total	1,079	1,085	1,107

*Dams owned by or leased to cooperatives.

2. Dams—New laws

Chapter 142, Laws of 1963, reads:

Notwithstanding the provisions of chapter 31, Wisconsin statutes and any finding, order, or determination of any authority of this state heretofore (1963) made . . . no dam shall be constructed, operated or maintained in the Wolf River in section 16, township 33 North, range 12 East, Langlade County, Wisconsin, or in any other place in said Wolf River within the limits of Langlade County.

The land description includes the area where the Commission on May 27, 1960, had authorized Langlade County to construct a dam to hold a pool to increase the recreational use of the area for fishing, hunting, boating, and development of shore properties (Docket No. 2-WP-1311-45 P.S.C.W. 297). The Commission's permit and order was affirmed by the Wisconsin Supreme Court on April 3, 1962 (*State v. Public Service Comm.* 16 Wis. (2d) 231). The permit issued Langlade County was set aside and declared void by Chapter 253, Laws of 1963.

3. Popple River—Dam permit denied in previous biennium

The previous Biennial Report mentioned the Commission's denial of Elco Corporation's application to construct a dam in Popple River, designed to form a lake for real estate development of shorelands and for recreational use (46 P.S.C.W. 127). A May 7, 1963 judgment of the Circuit Court for Dane County reversed the Commission's April 3, 1961 order which held that the wilderness resources of Popple River were superior to the proposed Aspen Lake. The court decision held that insufficient consideration had been given to the recreational benefits of Aspen Lake and remanded the order for further proceedings. The Conservation Department has informed the Public Service Commission that it is negotiating for the purchase of land in the area involved.

B. Uses of water—Recreational and scenic

The desire for scenic surroundings and outdoor recreational opportunities is part of the rising standards of liv-

ing. The number of sand blanket permits for beaches was 240 in the previous biennium as contrasted with 348 in this biennium. Action on applications is taken subsequent to a written report from the Conservation Director as to whether the "proposal will materially impair navigation or be inconsistent with the public interest." (Section 30.12 (2) (b), Statutes)

Dredging permits, usually associated with improvement of shoreline, sometimes with real estate developments, numbered 75 in the previous biennium, compared with 94 in this biennium.

Of the 67 permits issued for enlargement of waterway, 28 were in connection with real estate developments.

C. Uses of water—Agriculture, industry

1. Irrigation

The first permit to divert water for agricultural purposes was issued in 1949. From 1955, when there were only 16 permits in effect, the number increased to 143 in 1959. As of June 30, 1964, there were 157 permits in effect and 9 applications pending.

Authority to irrigate from a navigable stream may be issued only if "the water to be diverted is surplus water, or if not surplus water [if] the riparians injured by such diversion have consented thereto." (Section 30.18, Statutes) Use of the flow of a stream to produce power is considered a beneficial use and issuance of a permit is contingent on the consent of any affected power producer.

The Conservation Commission has the power to designate trout streams and its written approval is necessary for the issuance of a permit to irrigate from such streams.

The Public Service Commission has continuing jurisdiction to insure that the conditions of the permit continue to be met, and to that end, requires reports from irrigators.

2. Changing of stream courses

The bulk of the applications (36 permits issued during the biennium) to straighten a stream course come from farmers seeking protection from flood water. Several of the

applications have been to facilitate construction of highways or highway bridges. Consent of any riparians who may be adversely affected is a prerequisite to issuance of a permit to change the course of a stream.

3. Taconite mining—First permit

On February 4, 1964, the Commission issued its first order under Chapter 238, Laws of 1959 (sections 30.18 and 107.05, Statutes). In Docket No. 2-WP-1820 Jackson County Iron Company was granted a permit to divert water by pipeline from Black River to a taconite-processing plant three miles east of the city of Black River Falls. Conditions imposed require that the company submit proposals for restoration of waters and orderly disposal of waste upon completion of mining operations.

D. Flood control—New laws

Chapter 171, Laws of 1963, created section 59.96 (6) (b), Statutes, requiring a Public Service Commission permit for any Milwaukee County Sewerage Commission's diversion of water into an enclosed drain, conduit, or similar structure. In accordance with the statute, a permit was issued for the diversion of Honey Creek through a conduit on the State Fairgrounds and railroad property in the city of West Allis to lessen flood stages (Docket No. 2-WP-1900—December 23, 1963—48 P.S.C.W. 696).

XII. COMMISSION PROCEEDINGS

Under the direction of the Commission, hearing examiners held 2,773 hearings in various parts of the state. The most conspicuous increase over the previous biennium is in the number of hearings in cases concerning water power matters which rose from a total of 194 to 322.

HEARINGS

	1962-63	1963-64
Railroad	146	146
Utility		
General	184	152
Securities	0	4
New Plants and Additions	67	62
Water Power	138	184
Motor		
General	22	28
Common Carrier Certificates	47	22
Contract Carrier Licenses	557	265
Amendments	111	632
Registrations	3	3
 Total	 1275	 1498

FORMAL CASES

	Opened during biennium		Closed during biennium	
	1962-63	1963-64	1962-63	1963-64
Railroad	165	160	171	153
Utility				
General	178	165	184	178
Securities	32	44	32	44
New Plants and Additions	135	124	117	131
Water Power	155	211	147	184
Motor				
General	16	16	17	16
Common Carrier Certificates	22	8	24	16
Contract Carrier Licenses	1,347	1,493	1,344	1,479
Amendments	1,030	1,381	1,006	1,336
Registrations	31	16	32	16
 Total	 3,111	 3,778	 3,074	 3,553

ORDERS ISSUED

	1962-63	1963-64
Railroad	215	202
Utility		
General	187	203
Securities	36	43
New Plant and Additions	137	132
Water Power	386	462
Motor		
General	31	25
Common Carrier Certificates	47	30
Contract Carrier Licenses	1,183	1,068
Amendments	780	1,092
Registrations	17	5
Total	3,019	3,262

INFORMAL CASES OPENED DURING BIENNIUM

	1962-63	1963-64
Railroad	52	42
Utility	654	701
Water Power	57	39
Total	763	782

Informal cases are resolved through correspondence or conference.

XIII. FINANCES OF THE COMMISSION

The Commission has four principle 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 particular investigations 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 railroad investigations.
2. To recover costs incurred in utility regulation that cannot be ascribed to a particular 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.
3. To recover costs incurred in railroad regulation that cannot be ascribed to a particular investigation, the Commission makes a remainder assessment at the close of each fiscal year against all railroads operating in Wisconsin. This assessment may not exceed $\frac{3}{5}$ of 1% of the total gross intrastate operating revenues for the previous calendar year.
4. To provide for regulation of motor-carrier operating authorities, rates, and service; for water resources regulation; and for miscellaneous administrative expenses, a specific legislative appropriation is available from the State General Fund. Reimbursement for motor transportation expenses is eventually 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	1962-63	1963-64
Appropriations and receipts		
General legislative appropriations.....	\$ 462,950.00	\$ 557,351.00
Board on government operations appropriation.....	73,133.00	—
Non-lapsed balances.....	3,324.47	4,344.68
Total appropriations.....	\$ 539,407.47	\$ 561,695.68
Utilities receipts		
Direct assessments.....	\$ 72,974.36	\$ 93,599.37
Remainder assessments.....	493,008.13	512,613.31
Total.....	\$ 565,982.49	\$ 606,212.68
Railroad receipts		
Direct assessments.....	\$ 4,524.36	\$ 6,595.02
Remainder assessments.....	137,113.44	140,386.89
Total.....	\$ 141,637.80	\$ 146,981.91
Miscellaneous receipts.....	\$ 3,200.70	\$ 3,425.84
Total appropriations and receipts.....	\$1,250,228.46	\$1,318,316.11
Disbursements		
Utility.....	\$ 606,501.44	\$ 601,679.47
Railroad transportation.....	146,144.37	139,879.82
Water power and navigation.....	156,327.53	162,740.31
Motor transportation.....	340,591.73	354,046.89
Civil defense.....	3,907.40	3,716.55
Total disbursements.....	\$1,253,472.47	\$1,262,063.04
Collections for state general fund		
Utilities securities fees.....	\$ 96,626.86	\$ 74,475.75
Water power and engineering fees.....	2,844.07	4,053.30
Copy work and sale of printed matter.....	2,953.11	2,263.29
Penalties.....	151.35	367.88
Total.....	\$ 102,575.39	\$ 81,160.22
Collections for state highway fund		
Motor carrier filing fees.....	\$ 60,320.00	\$ 71,762.40

XIV. COMMISSION—ORGANIZATION

The Public Service Commission of Wisconsin is composed of three full-time Commissioners who meet daily to transact Commission business, a secretary, and a staff of 143 persons. The Commissioners are Leonard Bessman, chairman, and Arthur L. Padrutt and David Adamany.

A. Personnel

CHAIRMAN LEONARD BESSMAN was born in Milwaukee, Wisconsin. He graduated from Marquette University Law School and was admitted to the Wisconsin Bar in June 1936. After serving with the United States Army during World War II, he was, from 1946 to 1948, a special attorney for the Anti-trust Division of the U.S. Department of Justice. During the years 1948-1952, as Assistant Attorney General of the State of Wisconsin, he was in charge of the State Anti-trust Division. Mr. Bessman was engaged in private law practice in Milwaukee from 1936 to 1941 and again during 1952-1959. He is a member of the American Bar Association and the Wisconsin Bar Association. In 1959 Mr. Bessman was appointed to the Public Service Commission by Governor Nelson for a six-year term and was appointed chairman of the Commission, which duties he assumed November 2, 1959.

COMMISSIONER ARTHUR L. PADRUTT was born in Huron, South Dakota. He received a Bachelor of Science degree from Eau Claire State College in 1939 and was graduated from the University of Wisconsin Law School and was admitted to the practice of law in 1956, prior to which time he taught in Wisconsin public schools and owned and operated a photo supply business. He was elected to the Wisconsin Assembly from Chippewa County in 1940 and served four consecutive terms in that body, and, subsequently, two terms in the Wisconsin Senate. During his legislative career, Mr. Padrutt's committee assignments included the State Centennial Committee, Committee to Visit State In-

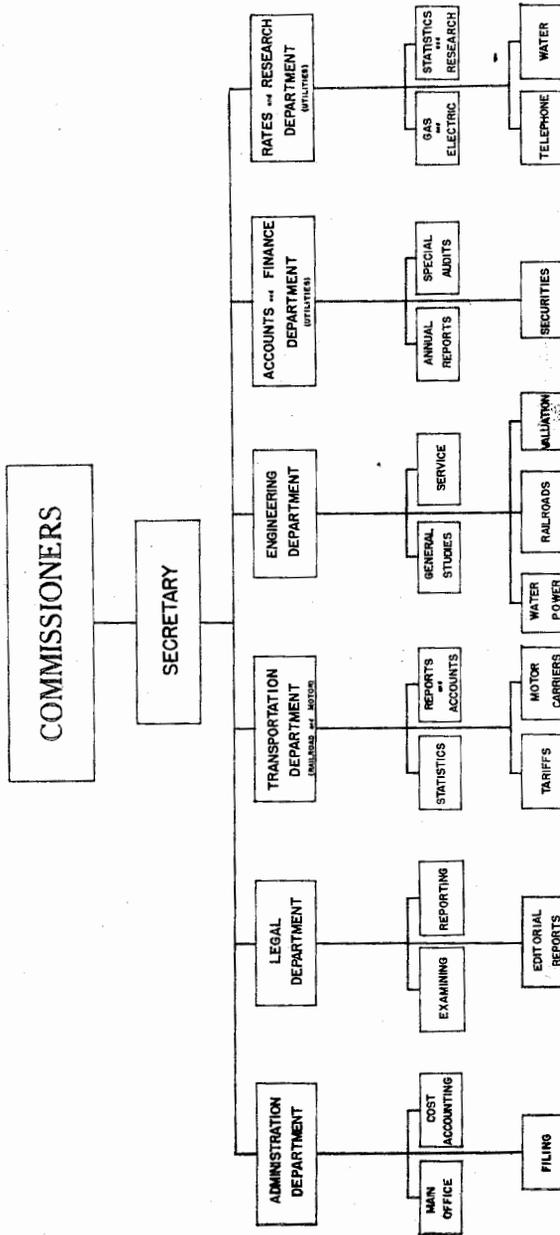
stitutions, Joint Finance Committee, Governmental and Veterans' Affairs Committee, and Joint Survey Committee on Retirement Systems to which he was appointed a public member, following his resignation from the Senate. He was also a member of the State Building Commission and the Commission on Interstate Cooperation; he was Wisconsin's representative on the Board of Managers, Council of State Governments, and from 1955 through 1958, chairman of the Governor's Retirement Study Commission. He was chairman of the Joint Survey Committee on Retirement Systems from 1953 through 1963 and the first chairman of the Retirement Research Council, upon its creation in 1959, through 1963. First appointed by Governor Kohler in April 1956 to fill an unexpired term, Mr. Padrutt was reappointed to the Public Service Commission by Governor Thomson for a six-year term expiring in 1963. Since his appointed successor has not yet received confirmation by the Senate, Mr. Padrutt has continued to serve as commissioner. He is a member of the Executive Committee of the National Association of Railroad and Utilities Commissioners and serves as its advisor for the NARUC-sponsored Short Course on utility regulation presented by the University of Wisconsin Extension Division, School of Commerce. In 1961-1962, he was President of the 12-state Great Lakes Conference of Railroad and Utilities Commissioners, and serves as a member of its Executive Committee. He is also active in the affairs of the Midwest Association of Railroad and Utilities Commissioners.

COMMISSIONER DAVID ADAMANY was born in Janesville, Wisconsin. He received a Bachelor of Arts degree, *magna cum laude*, from Harvard College in 1958 and was graduated from the Harvard Law School in 1961. Mr. Adamany also holds a Master of Science degree in Political Science from the University of Wisconsin, where he held the post of Teaching Fellow. Mr. Adamany served as an aide to the Attorney General of Wisconsin from 1961 to 1963. In 1963 he was named Pardon Counsel to Governor John W. Reynolds and served as the Governor's representative on the Commission for the Relief of Law Enforcement Officers.

He is a member of the Wisconsin Bar Association and the American Political Science Association. On September 19, 1963, Mr. Adamany was appointed to the Public Service Commission by Governor John W. Reynolds. He is a member of the National Association of Railroad and Utilities Commissioners Committee on Nuclear Energy.

JOHN F. GOETZ, Chief of the Administration Department since January 1, 1964, was born in Middleton, Wisconsin, and later moved to Madison, where he attended the public schools. He attended the University of Wisconsin Commerce School and received a Bachelor of Arts degree in 1931. He has served as Acting Secretary of the Commission periodically since 1953, was supervisor of the Cost Accounting Section from 1941 to 1963, and has been a member of the Commission staff since 1933.

ORGANIZATION CHART
OF
PUBLIC SERVICE COMMISSION OF WISCONSIN



PUBLIC SERVICE COMMISSION OF WISCONSIN

PERSONNEL

Leonard Bessman, chairman
Arthur L. Padrutt, commissioner
David Adamany, commissioner
John F. Goetz, acting secretary

Administration Department

John F. Goetz, chief

Main Office Section—Francesca A. di Lorenzo
Cost Accounting Section—Stanley B. Nebel
Filing Section—Faye M. Robbins

Transportation Department

A. W. Larson, chief

Judd H. Justesen, assistant chief

Tariffs Section—Harold C. Heublein
Statistics Section—Richard V. Maves
Reports and Accounts Section—Robert C. Stadelman
Motor Carrier Section—Miles Fenske

Legal Department

William E. Torkelson, chief counsel

Engineering Department

Ralph E. Purucker, chief

William A. Kuehlthau, assistant chief

General Section—William A. Kuehlthau
Service Section—Clarence F. Riederer
Railroad Section—Hugo F. Muehrcke
Valuation Section—John E. Rosecky
Water Power Section—William H. Cartwright

Accounts and Finance Department

A. R. Colbert, chief

Frederick C. Huebner, assistant chief

Rates and Research Department

Orville P. Deuel, chief

Eugene M. Downey, assistant chief

B. Departments of the Commission

For the efficient conduct of its business, the Commission staff is divided into six departments, each with specifically assigned duties, as described in the following pages:

1. Administration department

Main Office Section: Operates as the administrative office and general information bureau of the Commission.

Cost Accounting 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 issues and inventories equipment and supplies.

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

2. Legal department

Performs three principal functions: (1) It acts as a law office for the Commission and its staff with respect to matters arising out of their official duties; (2) It supplies hearing examiners and fixes the dates and places for hearings, and is responsible for stenographic reporting of the record in cases where hearing is held; and (3) It makes arrangements for printing decisions and orders of the Commission as provided by law.

The law-office function consists in giving legal advice and service to the Commission and its staff with respect to matters arising out of their official duties, and in representing the Commission in proceedings in Circuit Court for Dane County and the Supreme Court of Wisconsin, as well as other courts and tribunals.

Scheduling of hearings is done under the supervision of a Supervisor of Hearings who, after selecting a specific date for each case, designates a hearing examiner and reporter to conduct the hearing. An attempt is made to set each hearing at a time and place most convenient to the parties and the public, consistent with a minimum of travel and the obtaining of a most efficient utilization of the time of the hearing examiner and reporter, as well as other members of the staff.

The statutes require that the Commission print its decisions and all general orders. The work of editing the decisions and general orders preparatory to printing is done in the legal department as well as proofreading, indexing, and other like tasks needed to turn out the completed publication.

WILLIAM E. TORKELOSON, immediately prior to his serving as Chief Counsel of the Commission as head of its Legal Department, was Assistant Attorney General of the state of Wisconsin from 1944 to 1949.

3. *Transportation department*

Statistical Section: Analyzes costs of railroads and maintains files of general statistical data relating to transportation; prepares statistical and general economic data for use in matters before the Commission and the Interstate Commerce Commission.

Reports and Accounts Section: Audits books and reports of common carriers; prepares accounting data for use in matters before the Commission and the Interstate Commerce Commission; designs reporting forms and systems of accounts for motor carriers.

Tariffs Section: Investigates transportation rates and fares of express, truck, and bus lines, trackless-trolley systems, and electric and steam railroads; maintains a complete file on freight tariffs and passenger fares; represents the state in Interstate Commerce Commission rate proceedings; investigates telegraph rates; and audits bills upon request.

Motor Carrier Section: Handles preliminary work in connection with motor-carrier authorities and complaints 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.

A. WILFORD LARSON, chief of the Transportation Department since 1952, has been a member of the Commission staff since 1933, except for a 1942-1945 military leave. He is deputy co-director of Emergency Transportation Service under the Wisconsin Operational Survival Plan, the official State plan of civil defense.

4. *Engineering department*

Provides engineering services for the Commission in transportation, water-power, and utility matters, and does similar work for other state departments upon request.

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 utility applications to add facilities, to make interconnections, and to integrate operations; and investigations of water-power and navigation matters such as lake levels, irrigation, dredging, sand blankets, obstructions in navigable waters, measurement of stream flow, plans for proposed water-power structures and for their operation, enlargement of waterways, bulkheads, and changing of stream courses.

RALPH E. PURUCKER has been chief of the Engineering Department since May 1, 1963. He is a member of the State Nuclear Facilities Committee, of the National Association of Railroad and Utility Com-

missioners Engineering Committee, and of American Standards Association committees concerned with electric safety and meter accuracy.

5. Accounts and finance department

Audits the books, accounts and annual reports of electric, telephone, gas, and water public utilities; designs uniform systems of accounts and annual reports prescribed for all classes of utilities; prepares any required interpretations of those systems of accounts; investigates and studies applications of utilities for authority to issue stocks, bonds, and all other forms of securities; 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; investigates financial arrangements between utility affiliated interests which require Commission approval; and makes recommendations to the Commission on matters pertaining to accounting and finance.

A. R. COLBERT, who has been chief of the department for the past 27 years, is chairman of the Committee on Accounts and Statistics of the National Association of Railroad and Utilities Commissioners, and for many years was chairman or member of that Association's Committee on Depreciation. He has recently been appointed a member of a committee comprised of representatives of the accounting profession, the utilities, and regulatory agencies, to advise the Federal Power Commission on accounting matters.

6. Rates and research department

Investigates and recommends rates and rules and analyzes costs of telephone, electric, gas, sewer, and water utilities; prepares technical reports and recommendations for the examining section and the Commissioners in connection with formal utility cases; handles complaints involving utility rates and rules and extension of service to prospective customers in the existing territory of utilities; investigates applications of electric utilities to extend rural distribution lines; collects, analyzes, and furnishes information and data on the utility industry; makes investigations of economic conditions affecting the utility industry; and maintains a file of electric, telephone, gas, sewer, and water rates.

ORVILLE P. DEUEL, the chief of the Rates and Research Department, has been head of the department since November 1, 1961, and previously served as a rate analyst in the department for 19 years.

