

PUBLIC SERVICE COMMISSION OF WISCONSIN



Biennial Report
July 1, 1950, to June 30, 1952

JOHN C. DOERFER
Chairman

W. F. WHITNEY
Commissioner

JAMES R. DURFEE
Commissioner

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FOREWORD

The attached report is an outline of the work of the Public Service Commission from July 1, 1950, to June 30, 1952.

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

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Secretary

Madison, Wisconsin
December 1, 1952

I. REGULATION AND INFLATION

A. General

During the year 1951, Wisconsin residents paid approximately 340 million dollars for services under rates legally determined by the Public Service Commission. The regulatory power of the Commission over rates, service, routes, and territory of the utility and transportation industries of Wisconsin is a vital influence in the commerce and industry of Wisconsin and directly affects every one of its citizens. As was said in a recent U. S. Supreme Court case (*Federal Trade Commission v. Ruberoid Co.*, 96 Law ed. 743), "The rise of administrative bodies probably has been the most significant legal trend of the last century and perhaps more values today are affected by their decisions than by those of all the courts, review of administrative decisions apart."

B. Legislative expansion of Commission powers

This far-reaching regulatory power is the result of steady expansion in the jurisdiction and authority of the Commission as authorized by the Wisconsin legislature. The Commission was created in 1874 with regulatory power over railroads only and was known as the Railroad Commission. Because the legislature thereafter greatly expanded the Commission's powers and duties to include telephone, heat, light, water, electric power, securities, water power, and lakes and streams, the 1931 legislature changed the Commission's name from Railroad Commission to Public Service Commission. In 1933 the legislature created the Motor Vehicle Act authorizing Commission regulation of all common and contract carriers. In 1947 the legislature created the Natural Gas Act, under Commission jurisdiction.

Today more than 1,000 public utilities, 20 steam railroads, 367 common motor carriers of passengers and property, and 10,000 contract motor carriers are under the jurisdiction of the Commission. In addition, the Commission regulates the level and flow of 8,676 lakes and more than 12,000 miles of navigable rivers and streams; con-

struction and maintenance of 1,000 dams; establishment of shore and dock lines; and the removal of obstructions to navigation.

While the legislature has thus steadily increased the Commission's jurisdiction, it has also given the Commission broad discretionary powers. In the highly technical and difficult problem of fixing rates for telephone service or for electricity, the law merely provides that the Commission shall fix rates that are "just and reasonable," based upon "fair value" of the utility property. This broad discretion which the legislature has given the Commission is subject only to review by the courts. In delegating the regulation of common motor carriers of freight and passengers as to number, routes, rates, and service, the legislature says that the Commission shall determine these questions according to "reasonableness" and "public convenience and necessity."

1. Reasons for this expansion

In a state economic system which recognizes the legal right of free enterprise and the necessity for open competition, the basis for the broad and extensive regulatory power of the Public Service Commission is not generally understood. The basic reason for regulation is that although open competition controls charges and services in most other businesses, free competition is not an adequate control when applied to the public utility and transportation industries. These industries require large capital investments; a duplication of these investments would clearly be an economic waste to customers who must pay the rates. This necessitates legal recognition of virtual monopolies under government control. It allocates to certain utilities definite territories, or to commerce certain routes or arteries, and controls their prices, services, and financing.

The basic legal philosophy of regulation stems from earlier common law which recognized that certain businesses, which had a great impact on the daily lives of the people, 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.

Because of the increasing complexity and the technical difficulty of such government regulation, the Wisconsin

legislature has delegated much of its own authority in this field to the Public Service Commission. This regulation recognizes the respective rights, under the law, of the public and of free enterprise.

2. Legal function of the Commission

While the Commission acts in a semi- or quasi-judicial capacity in its procedure, it serves as an agency or arm of the legislature in the exercise of its regulatory authority and function. The Commission acts as investigator and arbiter between the demand of the public for adequate utility and transportation service at reasonable rates on one hand, and the constitutional right of the public utility to an adequate return upon its invested capital, on the other hand. This difficult balancing of respective rights is a basic principle of utility regulation under the constitution and laws of Wisconsin to which the Commission must adhere. "Reasonable rates" of utilities under the law must be neither so high as to be excessive to the customer nor so low as to result in confiscation of the utilities' property without a fair return. This interpretation of the legislative mandate to the Commission to fix reasonable rates has been clearly and repeatedly stated by the Supreme Courts of Wisconsin and of the United States under constitutional law.

To accomplish this wide statutory expansion of the Commission's powers, the legislature has provided an organization which presently consists of three commissioners and a staff of 125 employees. An outline of the organization by departments is appended to this report.

C. General economic problems of regulation

1. Effects of inflation

a. Increase in rate cases

At no time in its history has the Commission been confronted with more work than during the past 2 years. No department of the state government has felt more keenly the impact of inflation. All state departments have trouble retaining their essential personnel in a rising labor market. They find their budgets shrinking and the purchasing value of the dollar decreasing, but these problems are minor to

the Public Service Commission, as compared to its greatly expanded work load of recent years. Nearly every utility or transportation company in the state has sought rate relief from rising inflationary pressure within the past 2 years. In many cases there have been two or three applications by the same utility for rate increases over this period. Approximately 2,500 hearings were conducted throughout the state during the past biennium by commissioners or examiners. More than 7,600 decisions and orders were issued. About 6,000 new proceedings were opened during the biennium and an equal number were closed. A table of the formal cases decided is appended to this report.

b. General decline in purchasing power

Following World War II, the spiral of inflation continued slowly but steadily upward until 1948 and 1949, when it leveled off for 2 years to what economists described as a plateau of inflation with relatively steady prices. At the beginning of the Korean conflict, the inflationary spiral began to rise again, even more rapidly than before.

While the causes of inflation are numerous and complex, inflation is reflected in the daily lives of the people by shrinkage in the purchasing power of the dollar. This means that when two periods of time are compared, the dollar will purchase less in one period than in another. Today, most economists measure inflation in terms of the prewar dollar of 1939. On that basis of comparison, the over-all purchasing power of the dollar had a value of about 52 cents in September 1952 as compared with 1939. The over-all cost of living had increased 91.6 percent over this period. The impact of this spectacular inflationary rise in costs and prices has been felt by utility and transportation companies in operating costs just as it has affected the public generally in the cost of living.

2. Effect of taxes on utility rates

To the effect of inflationary costs to utilities and transport, has been added higher taxes. For most large Wisconsin utilities, 55 cents out of each additional dollar of net revenue is required to pay state and federal income taxes on that revenue.

If a company needs \$100,000, it must collect \$222,222 of additional charges from ratepayers. Of this amount, \$122,222 would be paid to the state and federal governments for income taxes, the far greater portion going to the federal government.

Telephone subscribers have to pay a total of \$273,000 to provide a large telephone company \$100,000 of additional net revenue due to state gross revenue taxes and federal excise taxes. It is necessary to collect \$2.73 from the telephone subscriber to provide a single additional dollar of net income to the company. Considering taxes alone, utility ratepayers' dollars have declined about 40 percent since prior to World War II.

Dollar flow of income taxes to federal government from major utilities which supply 95 percent of the service:

	Gas	Telephone	Electric	Total
1939.....	\$ 235,400	\$ 624,770	\$ 1,916,800	\$ 2,776,970
1950.....	1,045,800	5,106,000	11,220,000	17,371,800
1951.....	3,129,300	7,321,124	17,028,960	27,479,384

3. Results of regulation under inflation

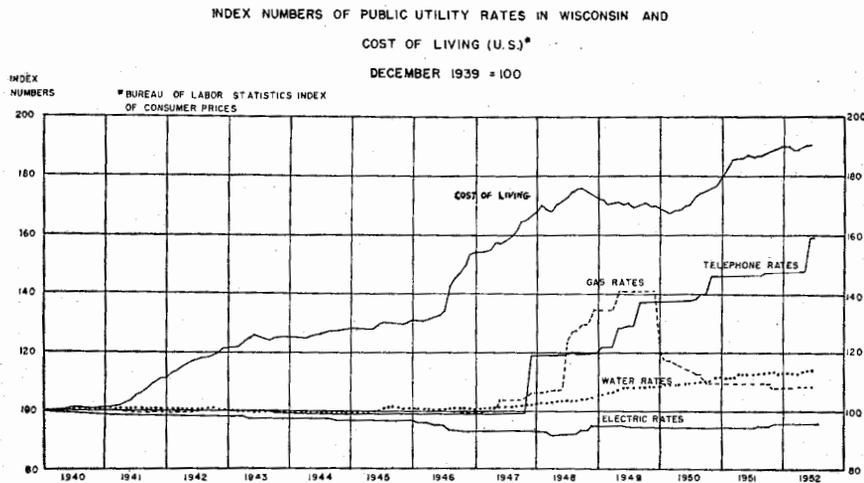
To earn a fair rate of return on their investment, the utility and transport companies have sought recourse from the Commission in a steadily increasing succession of applications for rate increases. How the Commission has met this unprecedented demand for rate increases is demonstrated by the following comparison of the increases in utility rates with other general increases in costs since 1939.

	Index Numbers	
	December 1939	December 1952
Electric rates	100	96.6
Gas rates	100	109.3
Telephone rates	100	165.18
Water rates	100	116.7
Cost of living	100	191.5
Food prices	100	242.0
Weekly wages in Wisconsin industry	100	281.1
Weekly wages in Wisconsin industry (after taxes)	100	253.8

While the increase in utility and transport rates since 1939 has been substantially less than the over-all increase

in the cost of living, their future trend will be greatly influenced by the trend of inflation and taxes. Rising utility rates are symptoms, not causes of inflation. The Public Service Commission cannot control the purchasing power of the utilities' dollar or their rates of taxation.

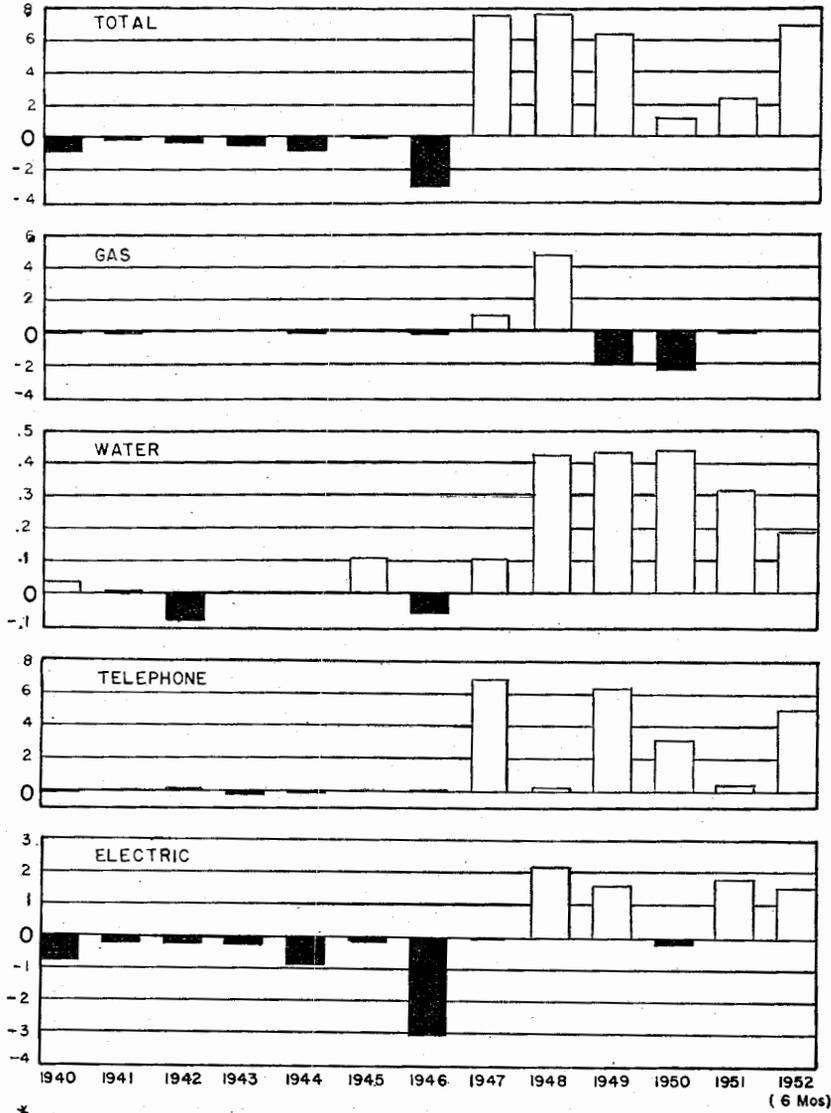
Competitive prices in the open market quickly adjust themselves to the law of supply and demand. Regulated utility rates do not change with the same rapid flexibility. For an application to increase rates, a utility must demonstrate its increased cost of operation, increased costs of



construction or increased cost of raising additional capital. Specifically, this demonstration of increased costs requires preparation of evidence, and its presentation at hearings, together with argument before the Commission. Sometimes there is a substantial time lag between the date of application for increased rates and the final order of the Commission. In view of this time interval required for determination of rate cases, an upward adjustment of utility rates toward a general price level is not the original impetus that forced the higher price level. The Commission must grant the utility a fair return upon its invested capital. Present rate adjustments are the result not the cause, of the inflationary rise in prices and higher taxes.

NET ANNUAL DOLLAR INCREASES OR DECREASES IN UTILITY RATES
IN WISCONSIN
1940-1952 *

MILLIONS
OF
DOLLARS



* 1952 Data first six months only.

(6 Mos)

4. Effect of inflation and taxes on specific utilities

The variation in percentage of increase between various types of utilities is noteworthy. The pressure of inflation has been most severe on the telephone industry and the public motor carriers. Apart from taxes, the principal factor causing the proportionately greater increase in these two industries is that labor costs constitute as high as 60 percent of their operating expenses, while the percentage of labor cost is considerably less in other utilities.

a. Electric utilities

Perhaps the only commodity which the public can purchase more cheaply today than in 1939 is electricity. This industry benefits most directly from increased demand and mass production with resultant increased revenues. This is due in part to the nature of the industry itself and, in part, to development of cheaper power by increased hydroelectric plants and technical improvements in generation of electricity by steam which have largely offset increased costs of construction and rising taxes.

b. Gas utilities

Rates for gas service have increased approximately 12 percent in Wisconsin since 1940. Were it not for the introduction of natural gas into Wisconsin, gas rates would have increased considerably more. The problems inherent in the gas industry in this state, apart from inflation, are dealt with more specifically later in this report.

c. Water utilities

Both the demand for and the cost of furnishing water service react quite slowly to inflationary forces. Increases in water rates in Wisconsin since 1939 have averaged 16.7 percent.

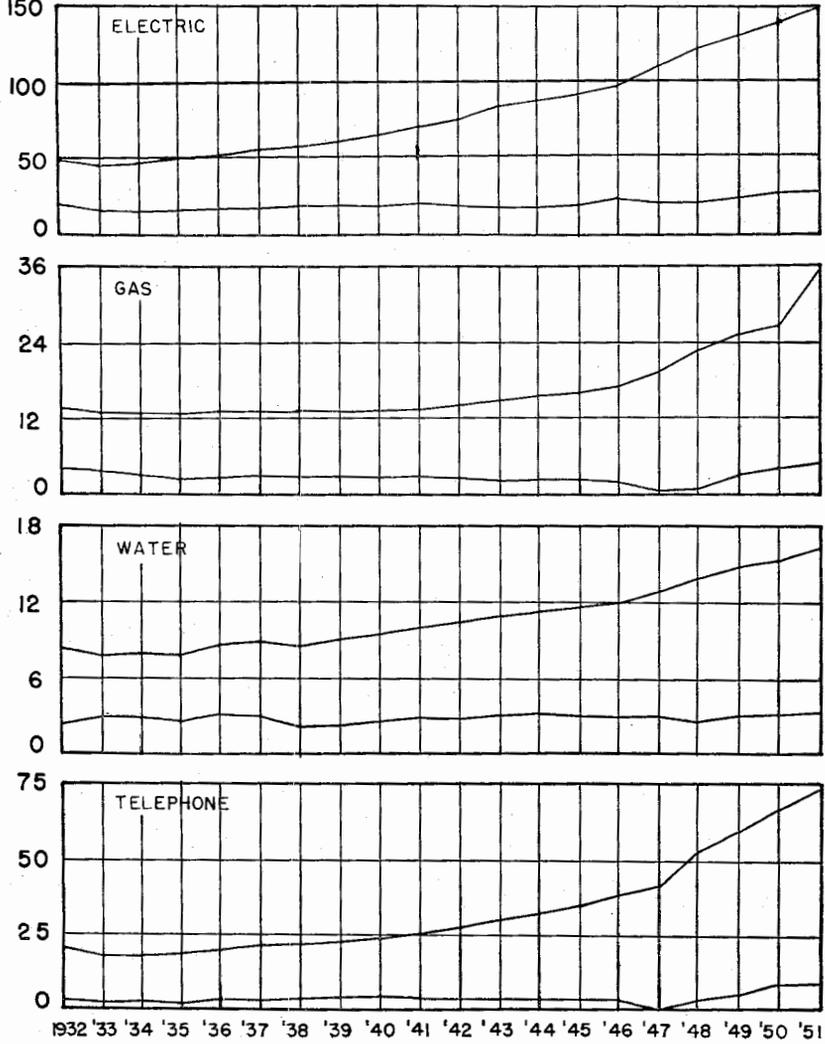
d. Telephone utilities

Most telephone subscribers pay a flat rate for local service, that is, a rate which does not vary with the use of the service. Consequently, increased use of local service by a subscriber does not produce increased income for the utility. Additional income is obtained from up-grading of service and from additional subscribers. Since demands for

GROSS AND NET OPERATING REVENUES
PUBLIC UTILITIES OPERATING IN WISCONSIN

MILLIONS
OF
DOLLARS
\$ 150

1932-1951



service from new subscribers are geared to the rise and fall in industrial activity, such demands during the biennium have been unprecedented and remain at a high level.

Labor, as previously mentioned, constitutes about 60 percent of the operating costs of telephone utilities compared with about 20 percent for electric utilities.

A telephone utility is one of the few industries to which the principle of mass production does not usually apply. Except in small exchanges increased output does not usually result in reduced unit cost. Increased local telephone business usually results in higher cost. Each new subscriber must have a connection available to all other subscribers in the exchange. Provision for such connections requires added outside plant and more and more switching equipment.

The force of inflation on the telephone industry has been heavily weighted on the expense side so that frequent and substantial rate increases have been required to enable the industry to meet its service requirements.

D. General transportation

Effects of inflation are also felt in the cost of installing automatic signal protection at railroad-highway grade crossings. The Commission is investigating ways to reduce the cost of this protection so that the money available may be used to protect additional crossings. Greater traffic density, especially on highways, greater speeds in both highway and railroad traffic, and an increase in visual obstructions at crossings caused by building construction have created a need for improved signal protection at additional crossings. Although the Commission work load has swelled materially in this field, substantial progress has been made.

Transportation regulation covers the carrying for compensation of both persons and property by railroads and motor carriers. A distinct difference in transportation regulation, as contrasted with other utilities, is that the characteristic monopoly aspect is not present in the transportation industry. In transporting passengers and property, competition exists between railroads, the private automobile, and motor carriers. There is also competition within the motor carrier industry between the regulated for-hire carrier and the private carrier. This competitive nature of the trans-

portation industry is more pronounced in the carrying of passengers than in the movement of property. The private automobile has a predominant place in the transportation of passengers, and this curtails revenues of the railroad and bus lines.

While the public carrier, rail and motor, faces the same inflationary forces as other regulated industries, it must also meet the competitive influences of unregulated modes of transportation. So the inflationary pressure increases both fares and transportation charges, and often necessitates curtailment of services. This is vividly evident in the discontinuance of many passenger trains and in the reduced schedules for bus transportation between cities.

While any curtailment of service is normally considered as abandonment of the service by the carrier, it is equally true that it is an abandonment of these facilities by the public who no longer use them. The Interstate Commerce Commission reports that, using passenger-miles of travel as a yardstick, the 1950 intercity transportation of passengers was distributed as follows: railroads, 8.2 percent; motor carriers, 5.23 percent; and private automobile, 84.37 percent.

E. Mass transportation

Transit companies have been struggling with another acute problem since World War II. An unprecedented number of passengers were carried during the war years. The removal of restrictions on the use of the private automobiles, and increase in the availability of new automobiles, combined with other strong economic factors, caused a reduction in the traffic carried by the transit companies. Beginning almost simultaneously with the downward trend in traffic, the transit industries felt the inflationary blow of higher operating costs. These increased costs were due not only to increased wages and higher unit prices, but were influenced by the traffic congestion created through the ever-increasing total of private automobiles seeking more room on the highways.

F. Transportation companies

There are 367 common carriers and 10,098 contract carriers who are authorized to perform for-hire transportation

in Wisconsin. These carriers vary from the one-truck operator to the company with a fleet of several hundred vehicles. The extent of their operations ranges from the transportation of milk from their farms to their local creamery or cheese factory, to the movement of large volumes of traffic in all commodities to every community in the state.

The ratio of capital investment to gross annual revenues of motor carriers is very low, while the ratio of operating expenses to gross annual revenues is very high. Thus, a small increase in unit costs or a decrease in traffic might result in immediate out-of-pocket loss to a carrier. Wages average about 60 percent of operating expenses of motor carriers. Where a carrier's normal operating ratio of expense to income may be 95 percent, an increase of even 10 percent in wages would result in an actual operating deficit. Therefore, prompt action by the Commission on wage or service adjustments is particularly necessary at present.

Rail and motor passenger carriers have been affected by inflationary costs and at the same time have experienced a decline in the level of traffic. They have not been able to adjust schedules and service to compensate for the loss of traffic. This has been especially true in city bus operations where in some instances the units of service offered have been increased due to extended urban boundaries serviced, although the total volume of passengers has been decreasing.

It is vitally important that transit companies retain their financial health so that they will be able to perform necessary services in transporting the public. To achieve this objective, the combined efforts of the regulatory agency, the transit companies, and the municipal governments must solve this most difficult economic problem of mass transportation. The regulation of these carriers as to the highways over which they may travel, the territories which they must serve, the service furnished, and rates charged is vested in the Public Service Commission by the legislature.

G. The growing conflict between state and federal regulatory powers

A legal development of increasing concern to the State of Wisconsin is the steady expansion of authority by the fed-

eral government over local and state matters which have previously been regulated by the State. An example of this conflict over states' rights exists where electrical energy is transmitted into Wisconsin from an adjoining state. Admittedly this transmission of energy is subject to federal regulation because of its "interstate" character, but this fact should not make the subsequent sale for "resale" of this energy, after its transmission to Wisconsin utilities, subject to federal control. The latter transaction takes place within the State of Wisconsin, and has been regulated for years by the State of Wisconsin. Nevertheless, the Federal Power Commission now asserts its exclusive right to regulate such transactions.

Another example of this federal regulatory authority over existing state rights is in cases involving applications for authority to construct power dams on some of the smaller streams in the state—the Winter dam case on the East Fork of the Chippewa River in Sawyer County and the Namekagon dam case on the Namekagon River in Washburn County. Both of these projects involve relatively small electric plants for local service. Any part that either of these rivers plays in interstate commerce by water is at most, remote and of little consequence. Both of these cases involve the type of dam and stream that has long been regulated by the Wisconsin Public Service Commission. Nevertheless, it is now claimed the Federal Power Commission has exclusive authority and jurisdiction in these cases.

In the event it is ultimately determined that under existing federal law, the jurisdiction of the federal government extends to these types of cases, the result will be to exclude all state regulation or jurisdiction in these matters.

It is readily apparent that these are matters of fundamental importance. The basic principle is whether the State of Wisconsin, acting through its duly constituted authorities under the mandate of its Legislature, can exercise its sovereign power and minister to the needs of its citizens regarding these matters, which are of a local nature, or whether the State is required to defer and surrender some of its sovereign local power to the federal agencies in Washington. Every citizen has a vital interest not only in

the principle, but also in the practicalities involved. To compel our citizens to go to Washington in cases involving rates for electric energy sold at wholesale to purchasers like Benton, Cuba City, Hazel Green, or Shullsburg, or involving the issuance of a permit to build a dam across streams like the Chippewa or Namekagon, will involve much additional time and expense. They will be forced to deal with federal officials not familiar with the State and its people. Additional regulation at the federal level will require increased appropriations from Congress which must come from the taxpayer. To extend federal jurisdiction over these local types of cases would merely duplicate activities which existing state agencies are well equipped to perform along with their other duties, and which can be performed by the State at little or no additional expense to its taxpayers.

The ultimate question is whether in matters which are essentially of state or local concern, Wisconsin citizens and business are to be governed or regulated from Madison or from Washington. For so long as the Wisconsin legislature by statute specifically directs the Public Service Commission to regulate utilities and navigable waters within the State, the Commission will continue to assert and defend its own jurisdiction. For this reason the Commission and the State itself are now intervening in several proceedings before the Federal Power Commission, and before the Federal courts, in order to maintain and defend the regulatory powers of the State of Wisconsin in matters which are essentially of local State concern.

II. NATURAL GAS IN WISCONSIN

It has been pointed out that if natural gas were not available in Wisconsin gas rates would be considerably higher than they are today. Most of the natural gas used in the state is supplied from fields in Oklahoma and Texas and has been available in many communities since late 1949 or early 1950.

A. Effects of change to natural gas

When natural gas was introduced into the state, two important results followed. After investigation by the Public Service Commission, rates were reduced about \$5,404,000, or 24.6 percent, and more gas was available to meet growing demands.

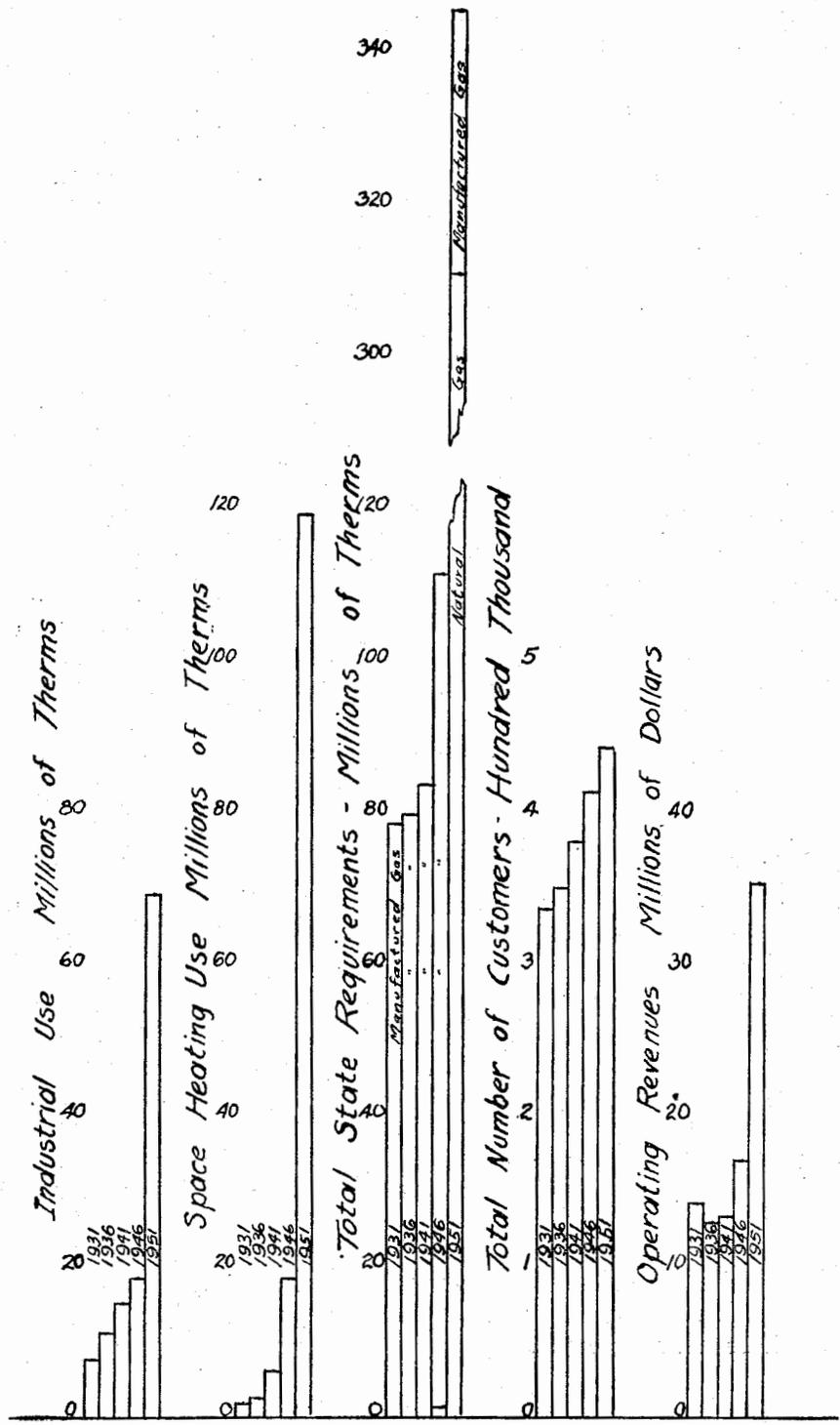
Although gas rates in Wisconsin are much lower than they would have been had not natural gas been made available, those rates are considerably higher than for the same product in such communities as Detroit, Chicago, and Minneapolis.

Gas distributors in Wisconsin were forced to meet heavy initial expense when natural gas was first brought into the state. Customers' appliances had to be adjusted at a cost of nearly \$16 a customer. Transmission and distribution systems required rehabilitation and stand-by facilities had to be maintained. Many of these tremendous expenses are being amortized over a period of from 5 to 10 years. Companies in out-of-state communities met these expenses at a time when costs were greatly lower.

Of equal importance is the fact that Wisconsin distributors have paid much more for natural gas than have other sections of the midwest.

The Federal Power Commission has jurisdiction over wholesale natural-gas rates. The wholesale rate prescribed by that commission for Wisconsin was 28 cents in 1949. In 1951 that rate was raised to 31.5 cents per thousand cubic feet and the pipe-line company now has asked for a rate of 35 cents. Until recently, Detroit, Minneapolis, and Chicago were paying much lower wholesale rates averaging somewhere near 16 cents.

Wisconsin Gas Utilities



Under normal conditions, after the large cost of introducing natural gas had been amortized, gas rates in the state would be subject to considerable downward revision. However, with the rising trend of costs and the limitations on natural gas supply, there is little hope for substantial lower retail rates. But they will continue to be lower than those which would have been in effect had natural gas not become available.

B. Restrictions on use

The use of gas for space heating and for industrial use has been so great that pipe-line capacity has been insufficient to satisfy the demand, and restrictions on both uses have become necessary. The total number of space-heating customers which can be connected by December 31, 1952, has been prescribed for utilities served from the Michigan-Wisconsin Pipe Line Company for the purpose of assuring an adequate supply to existing customers. Additional customers may be connected only when additional pipe-line capacity becomes available. It is expected that space heating will utilize over half of the natural gas available at the end of 1952.

III. THE TELEPHONE SITUATION

When high purchasing power is available, more people want telephones and a better grade of service. In Wisconsin the telephone situation is in a state of flux, existing facilities are generally inadequate to satisfy demands promptly, and smaller companies are having difficulty in providing an acceptable grade of service.

For some years after World War II it was impossible to obtain materials to extend telephone service. As a result, most companies had an increasing list of held orders to be filled in the future. Materials were becoming available when the Korean War added to the demand for greater facilities. Thus, the largest company in the state had 30,000 held orders after World War II. This number was reduced to 7,000 in 1948 and to less than 2,000 at the end of 1949. By March 1952 it had increased to 17,400.

A serious situation faces the several hundred small telephone companies in the state. Many of these have less than 50 subscribers and are having difficulty in surviving under present economic conditions. Their plants are in need of expansion and rehabilitation at the time costs are extremely high.

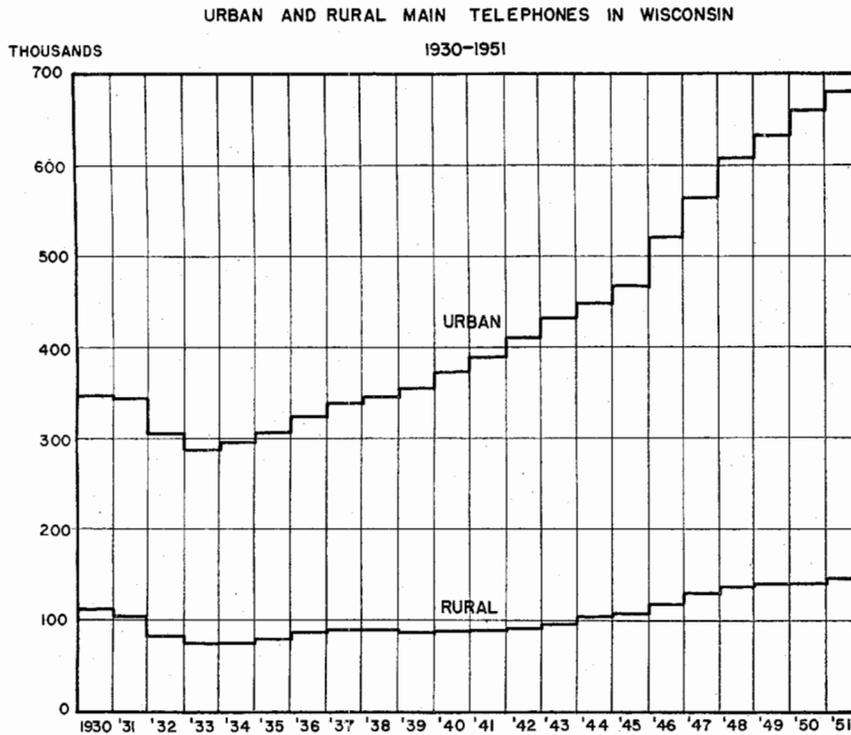
Some improvement is being made by larger companies who are assuming the responsibility of service in given areas and by the combination of smaller companies into units of sufficient size to operate economically. Several co-operatives have been organized on the latter basis and the REA is active in the program.

A. Telephone extensions

Nearly all telephone companies in Wisconsin have extension rules covering their obligations with respect to sharing the cost of new facilities necessary to serve applicants within their exchange area boundaries. These rules usually provide that a company will build one-third to one-half mile of line for each new customer in rural territory and the prospective customer will pay for the remainder of the line needed to serve him.

The rules are generally adequate for the average subscriber but may not be so for prospective subscribers who live near exchange area boundaries or one whose community of interest lies in an area other than that in which he lives.

The Commission has pointed out that "Although an exchange area is not unalterable, it should consist of a natural



economic unit of such territory as will be conducive to the best interest of both the public and, ultimately, the utility. . . . The Commission believes that exchange boundaries, no matter how established in the past, cannot remain fixed indefinitely in the face of population and economic changes within and adjacent to the exchange boundaries."

In some instances the Commission has approved foreign exchange service for subscribers who live in one area but want to be connected to a telephone exchange in another

area. By this method a limited number of subscribers may obtain service from another exchange at premium rates and by assuming certain costs of construction. Foreign exchange service is not a substitute for direct service where a proper showing of public interest supports the necessity of shifting exchange boundary lines.

There are some situations in the state where telephone companies have served customers outside of their regular area. The Commission has stated, "The extension of large urban communities into areas which were formerly predominantly rural in nature and frequently served by rural or small urban telephone companies had created situations which it appears can be solved by the application of extended-area service."

B. State and interstate toll rates

This commission has exclusive jurisdiction over toll service within the state. The Federal Communications Commission has exclusive jurisdiction over interstate toll service. This diversity of jurisdiction accounts for some of the differences between intrastate and interstate rates. However, contributing factors are the differences in the economic and physical characteristics of the two services.

The average length of line haul for most state calls is relatively short, 33 miles in Wisconsin, 9 miles in Rhode Island, 91 miles in Texas. The average length of haul for interstate service is 204 miles.

Many state toll calls are between communities which are not especially large and which do not produce a large volume of toll business. A great percentage of interstate toll calls are between large population centers, and there are a great number of calls. Because interstate calls are numerous, are between large population centers, and have a much greater length of line haul over heavily loaded circuits, many economies are possible which, up to the present time, have not been available on the shorter, state calls.

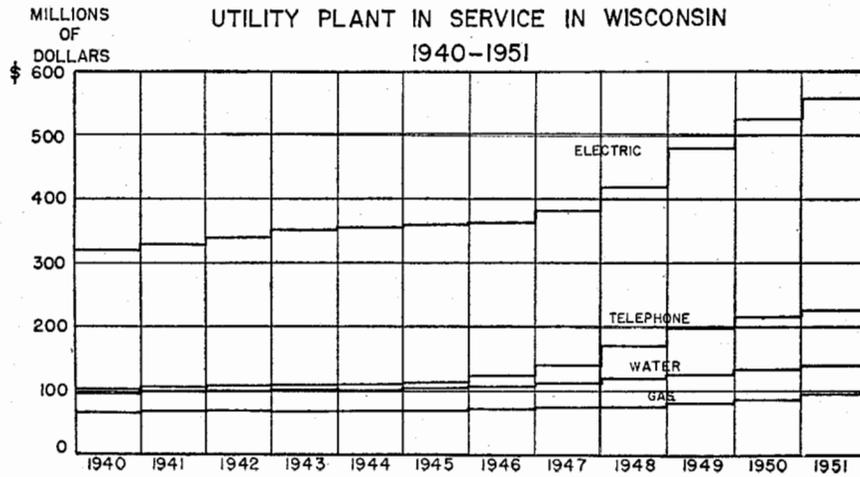
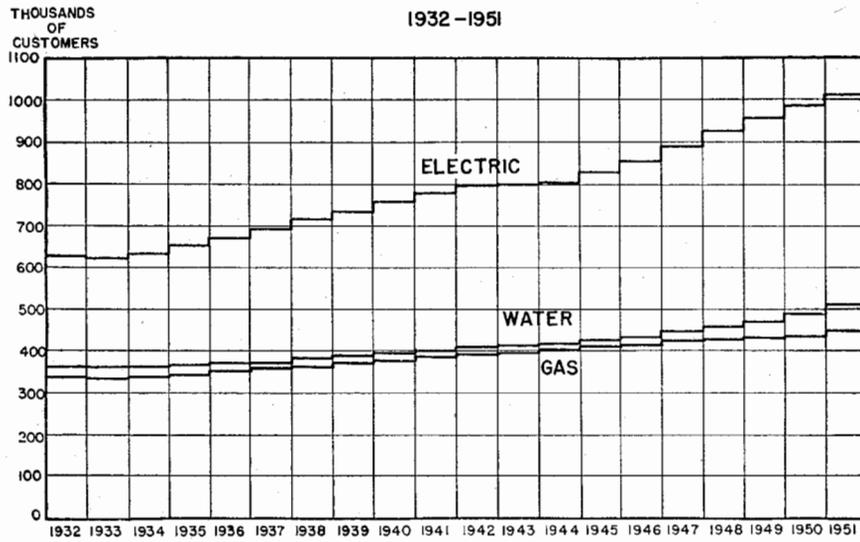
Interstate toll business has benefited in recent years by reductions in line-haul cost and has not been affected seriously by increases in terminal cost, the cost of establishing connection between two toll users. At the same time, intrastate toll service has benefited little from line-haul cost re-

duction but has been adversely affected by increases in terminal cost. Thus, the disparity in state and interstate toll service rates is due in part to difference in cost of service.

Since both state and federal jurisdictions are concerned, it has been necessary to allocate jointly used property between jurisdictions. Although states and the federal government have cooperated in working out methods of allocation, many states feel that present methods in use unduly favor interstate service. This Commission has been actively engaged in seeking allocation methods more favorable to state toll service.

Henry J. O'Leary, chief of the Rates and Research Department of the Commission, is a member of the National Association of Railroad and Utilities Commissioners Separations Committee, which is investigating the problem of allocating cost of telephone service equitably between interstate and intrastate service. He is also Chairman of the NARUC Toll Settlement Plan Committee which is investigating the feasibility of establishing uniform telephone toll rates for both state and interstate service.

ELECTRIC, WATER, AND GAS CUSTOMERS IN WISCONSIN



IV. OTHER PUBLIC UTILITIES

A. Electric utilities

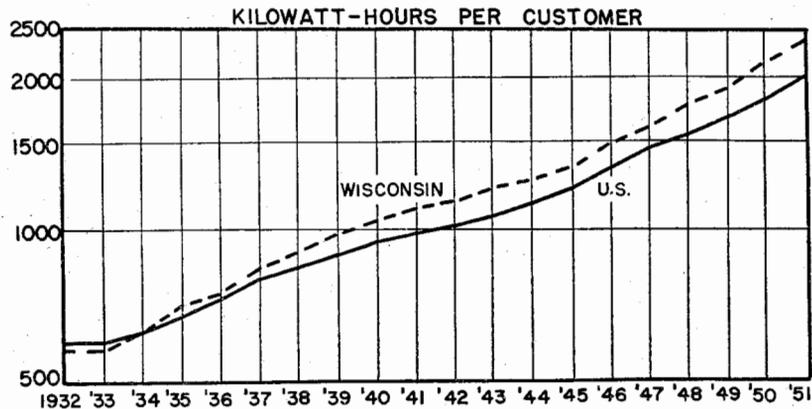
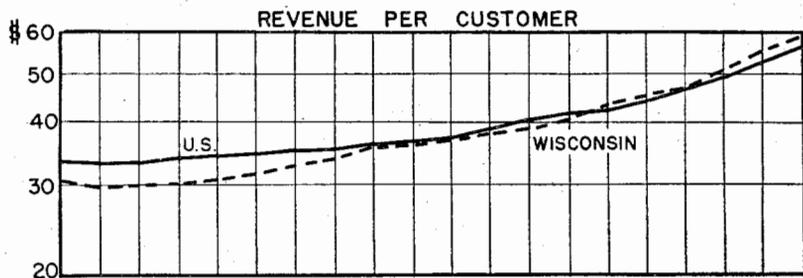
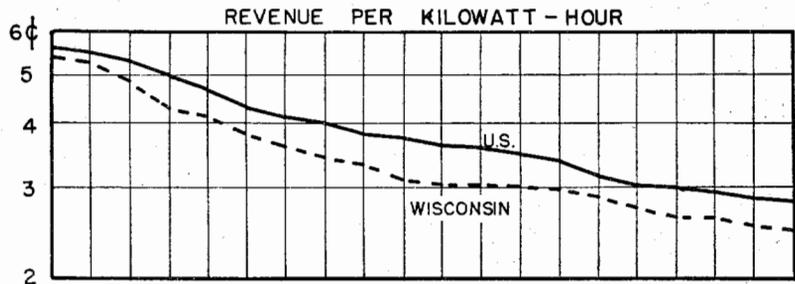
The growth of the electric utility industry in Wisconsin has been very rapid. From 1931 to 1951 the number of consumers increased from 626,415 to 1,013,440 and annual requirements increased from 1.6 billion kilowatt-hours to 6.7 billion.

Extensive expansion programs by utilities have been necessary to keep pace with the growth in demand. Present facilities provide a reserve of only about 10 percent.

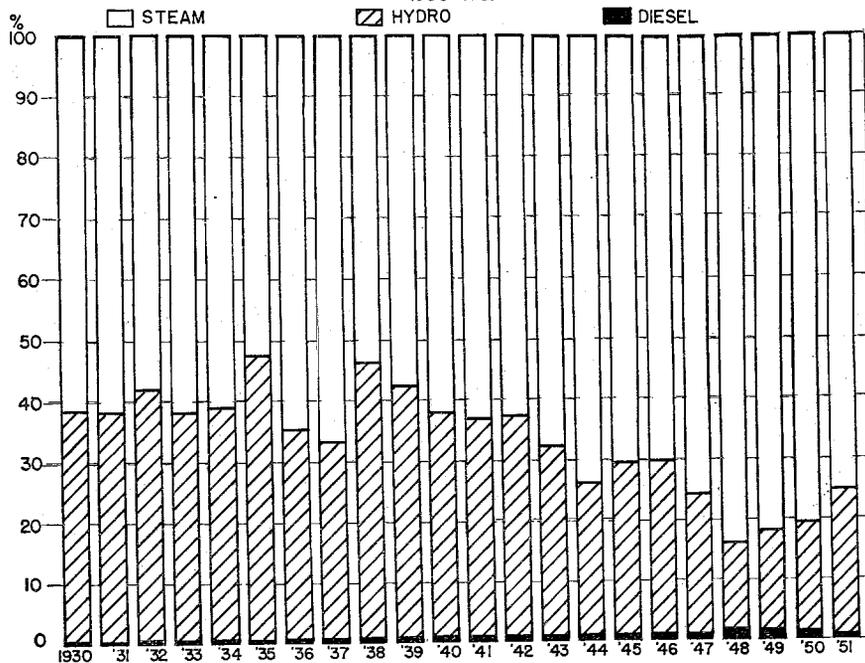
More than 400,000 kilowatts of capacity are now under construction or have been authorized by the Commission. Utilities have provided interconnections with other utilities in the state and, in some instances, with utilities in other states.

The several charts shown depict the growth and present status of Wisconsin utilities.

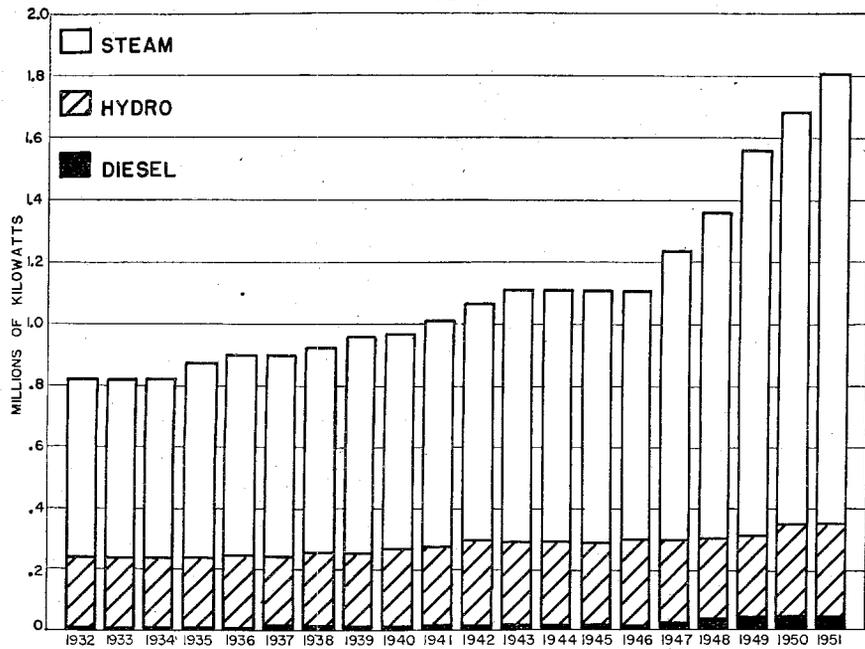
ELECTRIC RESIDENTIAL REVENUE AND CONSUMPTION RATIOS
 WISCONSIN AND UNITED STATES, 1932-1951
 (Ratio Scale)



KILOWATT HOURS GENERATED BY UTILITIES IN WISCONSIN
 PERCENTAGE DISTRIBUTION BY TYPE OF GENERATION
 1930-1951



ELECTRIC GENERATING CAPACITY OF UTILITY PLANTS IN WISCONSIN
 1932-1951



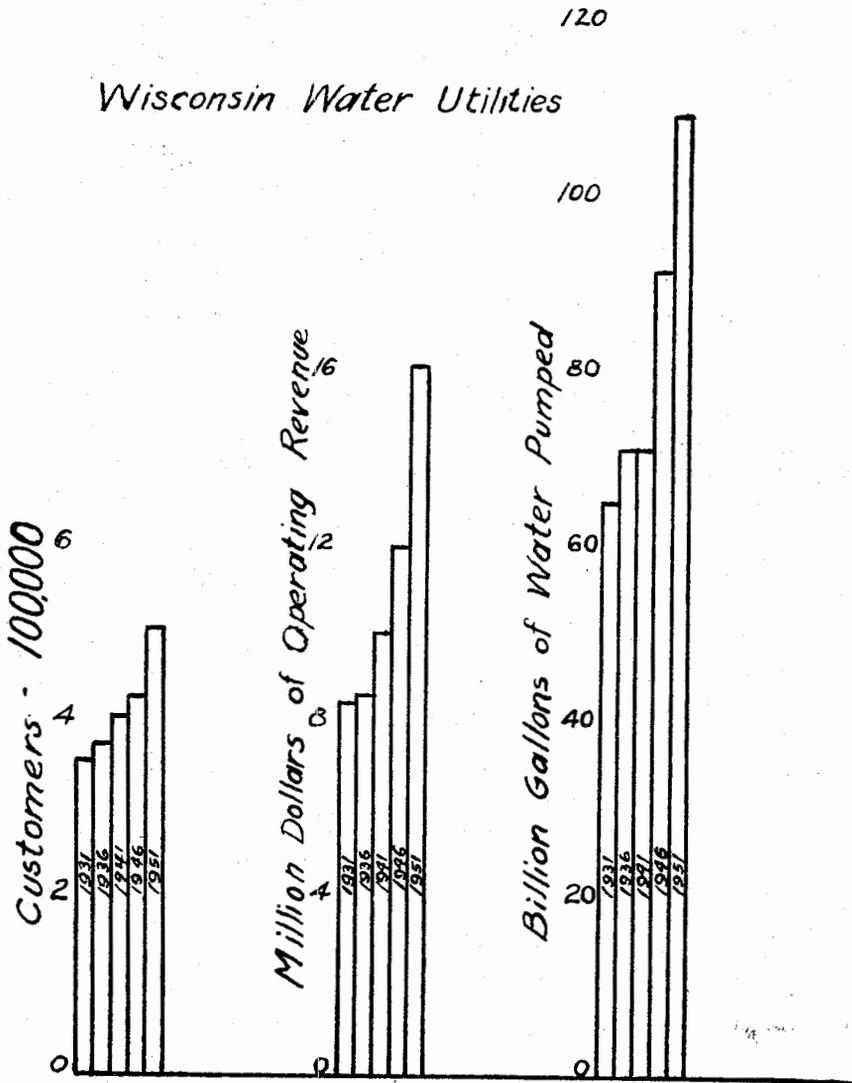
B. Water and sewage utilities

Without exception, all sewage utilities under the jurisdiction of the Commission are publicly owned and all but 15 of 397 water utilities are likewise publicly owned. The number of privately owned water utilities never has been large, and the gradual decrease in their number can be expected to continue.

There has been a slow but steady increase in number of customers served by water utilities, amount of water pumped, water used per customer, and miles of distribution main.

Plant additions are made to satisfy a present or prospective demand and are usually designed to be adequate to satisfy the requirements for several years of growth. In some particular areas of the state where demands for water are high and where conditions are unfavorable, the addition of wells occurs much more frequently than for the state as a whole. This is particularly true in Green Bay, Milwaukee, and Marshfield-Wisconsin Rapids areas.

There are relatively few communities in the state which are without public water supplies. Most communities of 300 population and many of 200 or less have waterworks systems. During the last 10 years the average rate of new installations has been about six a year with about eight a year since the war.



V. TRANSPORTATION

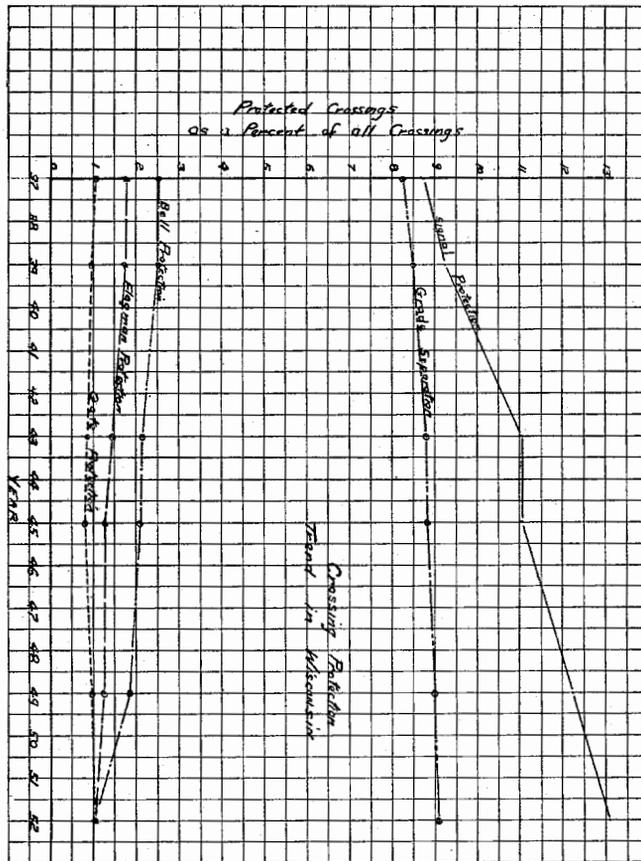
A. Railroads

Railroads have shown an increasing trend during the biennium to abandon branch lines and agencies, and to curtail or eliminate certain passenger services.

While practically all travel between cities was once by passenger trains, only about 8 percent of that traffic is now handled by railroads. Chief competitor of rail passenger service is the private automobile which accounts for about 84 percent of intercity travel.

B. Railroad crossing protection

Wisconsin has 8,000 railroad grade crossings of which 6,500 have only the minimum protection required by law.



Many of the unprotected crossings are in open country and need no additional protection. Many others are dangerous and require warning devices. To encourage installation of added warning facilities, the legislature has appropriated \$250,000 annually to help pay the cost.

Because crossing protection costs up to \$25,000 a crossing, only a few facilities can be considered each year. The Commission attempts to determine the relative hazard at crossings to insure the placement of protection where it will be of greatest benefit.

C. Transportation rate trends

During the last few years, there have been three outstanding developments in transportation freight rates. The first has been a stepping up of the level of rates in general. The second has been in the direction of a redistribution of charges as between different classes or segments of the total traffic. The third has been toward an equalization of rates as between different parts of the country.

Railroad wages in 1951 were approximately two and one-third times those of 1939, and the increase in prices of materials and supplies used by railroads was only slightly less. All but 27 percent of the wage increases and about 34 percent of the price level increase has been since 1945. To meet these cost increases the railroads have brought a series of cases before the Interstate Commerce Commission and state commissions for general increases of rates. Under the federal and state rate-increase authorizations that were granted, the present general level of freight rates is estimated at 79 percent above the level of June 30, 1946.

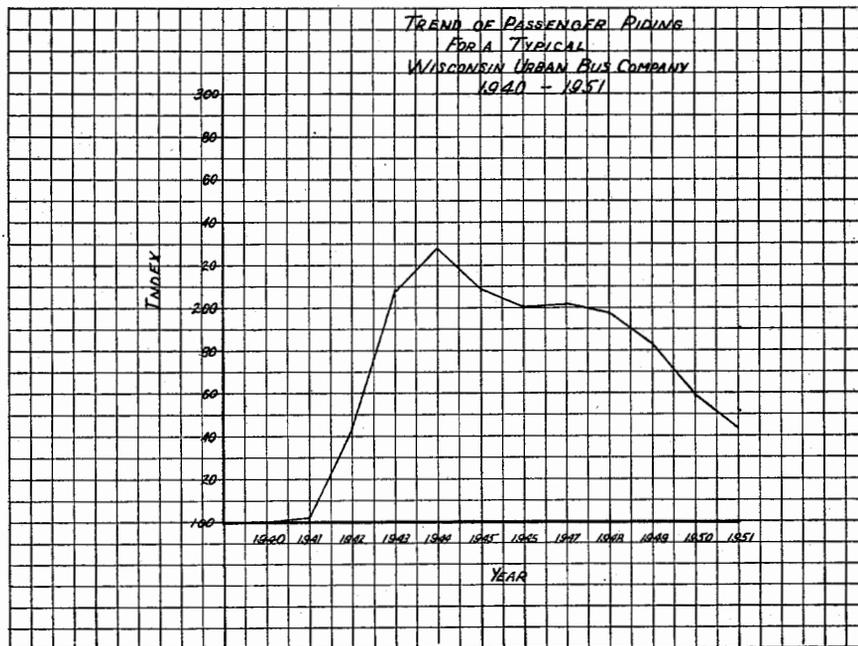
D. Transportation rate construction

The difficulties of rate construction are greatly increased by a number of circumstances in transportation. Rates must be adjusted to prevent undue discrimination between shippers or receivers of any given commodity who are located in different places as much as several thousand miles apart. They must likewise be adjusted as between shippers or receivers of large quantities and of small quantities, and as between commodities which compete with one another in the same field.

There are a number of different forms of transportation service: railroad, motor carrier, carrier by water, pipe line, airplane. Each has its own cost characteristics; and each form competes with one, or more, or all, of the other forms to a greater or lesser extent, though the difference in cost characteristics gives one form advantages as regards certain classes or segments of traffic, and disadvantages as regards other classes or segments of traffic.

E. Urban transportation

The number of persons riding city busses and streetcars has steadily decreased during the past 2 years, while the cost of transporting those passengers has steadily in-



creased. The decreased riding and the increased costs have had adverse effects on all urban transportation systems. This has led to many applications for increases in fares and for reduction of service.

Several small companies have been forced to discontinue operations. Others are in financial difficulties. In one instance, the local transportation system was taken over by the city. Thus, on June 1, 1952, the first municipally owned transportation system was instituted in the state.

In most Wisconsin cities the decrease in riding has been constant since shortly after World War II. One of the greatest factors has been the increase in the use of private automobiles.

VI. SECURITY REGULATION

The Commission regulates the issuance of securities by public-service corporations. Before it authorizes such issuance, 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.

During the biennium, the Commission considered 81 applications and granted authorizations to issue \$105,669,585 par value of securities. The state general fund received \$105,000 in payment for the authorizations.

There has been a gradual reduction in the total amount of securities issued during each of the past two bienniums. However, the electric industry has required substantial amounts of new capital for increasing generating capacity to meet added demands. The gas industry has needed to finance the cost of conversion to liquefied petroleum or natural gas operations. The conversion of telephone exchanges to the dial system has demanded new capital.

A. Common stock

To have a sound security structure, it is essential that an adequate part of the total capitalization be comprised of common stock; or to express the matter in another way, that a utility should not borrow too much money or issue too much preferred stock in relation to the amount of its assets and the amount of the common stock. In fact, the statutes require that the securities which a public-service corporation can issue shall bear a reasonable ratio to each other and to the value of the property.

The Commission has encouraged increases in the proportionate amount of common stock issued by the public-service corporations. It has done this by insisting on companies financing their current capital requirements with a greater proportion of common stock. It has required, also, that the indentures under which bonds have been issued

provide for gradual retirement of the issue through the operation of a sinking fund. The extent to which these policies have had an effect on the security ratios of Wisconsin public-service corporations can be seen by the following table, in which security ratios are shown as of December 31, 1951:

	Percent of Total Capitalization		
	Common Stock Equity	Preferred Stock	Debt
Class A and B electric and gas utilities.....	38.24%	11.67%	50.09%
Class A and B telephone utilities			
Total telephone utilities.....	91.55%	1.80%	6.65%
Excluding Bell Company.....	44.64%	12.92%	42.44%

B. Publicly owned stock

The interest of the public in the activities of the Commission in regulation of security issues has undoubtedly increased in recent years and will probably be further enhanced in the future. This is because a greater proportion of the common stock of utilities is now owned directly by the public than heretofore, due to the administration of the public-utility holding company act by the federal Securities and Exchange Commission.

By 1952 common stocks of the following large Wisconsin utilities, previously owned by holding companies, were held directly by the public with the number of stockholders shown:

	Number of Stockholders		
	Total	Wis.	% Wis.
Wisconsin Electric Power Company.....	37,852	12,135	32.1
Wisconsin Power & Light Company.....	22,908	11,969	52.3
Lake Superior District Power Co.....	3,572	3,028	84.8
Madison Gas and Electric Company.....	7,560	2,763	36.6
Wisconsin Hydro Electric Company.....	854	264	30.9
Mississippi Valley Public Service Company.....	604	278	46.0
Total.....	73,350	30,437	41.5

The common stocks of practically all the privately owned utilities will soon be owned directly by the public. The preferred stocks of a number of utilities are also publicly

owned. The companies with the larger issues and the number of stockholders are shown below :

	Number of Preferred Stockholders
Wisconsin Electric Power Company (in- cluding subsidiary) -----	15,115
Wisconsin Power and Light Company--	13,271
Lake Superior District Power Company	2,274
Mississippi Valley Public Service Co.---	907
Wisconsin Public Service Corporation--	8,060
	<hr/>
Total -----	39,627

VII. REGULATION OF ACCOUNTING

A. Accounting

In regulating utility accounting, the Commission designs and reviews annual reports of public utilities, installs accounting systems, audits books and records, determines annual depreciation rates on utility property, and investigates all alleged irregularities in financial practices of utilities.

B. Original cost

An important objective of accounting jurisdiction is to make certain that utility plant (the largest component of the rate base) is properly recorded. For the past two decades the Commission has insisted that utility plant be recorded at the original cost to the person first devoting the property to public service. When the original-cost concept of property accounting was adopted in 1931, it was a new idea. Since then, it has been accepted by the National Association of Railroad and Utilities Commissioners, the Federal Communications Commission, the Federal Power Commission, and nearly all state utility commissions.

C. Depreciation

The regulation of depreciation accounting practices of utilities has been of material benefit in the fixing of utility rates and administration of sound financial practices. Under section 196.09 of the Statutes, the Commission is empowered to certify depreciation rates. When such rates are certified, the depreciation allowance computed thereby must be used in any proceeding involving a utility's rates for service. Since 1931, when the Statute was enacted, the Commission has formally prescribed depreciation rates for all of the larger utilities in the state.

Through a repeated review of depreciation rates and practices, it is the objective of the Commission to keep the rates reasonably in line with actualities. Depreciation expense is an important component of the cost of utility service, amounting to nearly 15 percent of the total expenses of electric utilities, excluding taxes. Since the expense is necessarily an estimate, as the exact life of property is not known until it has expired, it is important that the Commission be fully informed regarding this expense to the end that the ratepayer not be overcharged or that the security holder fail to recover his investment.

VIII. WATER USE AND CONSERVATION

Wisconsin's great natural resources include thousands of lakes and thousands of miles of running streams. These are being more widely used each generation by agriculture, industry, and the general public. It has been the Commission's task to regulate the use of these resources to the greatest benefit of the public.

Since territorial days there has been a gradual change in the use of surface waters. Dams for driving logs have been replaced by reservoirs to create more uniform stream flow which, in turn, reduces the cost of hydroelectric power. Small local milling dams have been replaced by similar dams for recreational purposes. At times, large dams designed for the generation of electric power have submerged many of the falls and rapids which were admired for their beauty but disliked by pioneer traders and loggers who used the streams for navigation.

During recent years, however, the economic need for constructing power dams in Wisconsin streams has been greatly relieved. Most of the recent applications have been for structures on those portions of larger streams not extensively used for recreational purposes. The smaller streams continue in their natural state.

A. Water pollution committee

The Water Pollution Committee, on which the Commission is represented, exercises general supervision over the administration and enforcement of laws relating to pollution of surface waters.

B. Natural resources committee

The Commission is also represented on the Natural Resources Committee which attempts to promote the welfare of Wisconsin by collecting, analyzing, and interpreting information and by making recommendations to the several state agencies on matters relating to soils, waters, forests, fish, wild life, and other natural resources.

IX. COMMISSION ORGANIZATION

A. Personnel

The Public Service Commission of Wisconsin is composed of three full-time Commissioners who meet daily to transact Commission business, a secretary, an assistant secretary, and a staff of about 120 persons. The Commissioners are John C. Doerfer, chairman, W. F. Whitney, and James R. Durfee.

Chairman John C. Doerfer was born in Milwaukee, Wisconsin. He moved to West Allis in 1907, attending grade school and high school there. He was graduated from the University of Wisconsin in 1928 with a B.A. Degree from the School of Commerce, and from the Marquette University Law School, J.D. cum laude, in 1934. He worked as an accountant for the Price-Waterhouse and the Cosden Oil Company for 3 years. Entered private practice of law in the city of West Allis. Elected City Attorney in 1940 by popular vote for a 4-year term and reelected in 1944 and 1948 without opposition. Admitted to practice before the United States Supreme Court in 1944. He was appointed to the Public Service Commission of Wisconsin by Governor Rennebohm on July 11, 1949, and was unanimously confirmed by the Senate. Elected Chairman by fellow commissioners.

Commissioner W. F. Whitney was born in Whitewater, Wisconsin. He was graduated from Whitewater State Normal and the University of Wisconsin Law School. For 4 years he served as principal of the Waukesha High School. He practiced law in Wenatchee, Washington, was state's attorney for Chelan County, Washington, for several years, and Referee in Bankruptcy there for 4 years. During the next decade, Mr. Whitney was active in the retail automobile business, and later founded a wholesale and retail automobile distributorship corporation in Wisconsin, which he headed. His term as commissioner began on October 5, 1939. On March 5, 1941, his reappointment by Governor Julius P. Heil for an additional 6-year term was confirmed by the Senate. Reappointment by Governor Goodland for the next 6-year term was confirmed by the Senate April 3, 1947.

Commissioner James R. Durfee was born in Oshkosh, Wisconsin. He was graduated from the Marquette Univer-

sity Law School in 1926, and entered the private practice of law in Antigo in 1927. He served as president of the Langlade County Bar Association for 12 years, and in the State Bar Association as a member of the Board of Governors, as chairman of the Committee on Federal Legislation, and member of the State Committee on Judicial Selection. He was State Commander of the American Legion in 1943-1944. On April 28, 1951, he was appointed to the Public Service Commission by Governor Kohler for a 6-year term expiring in 1957.

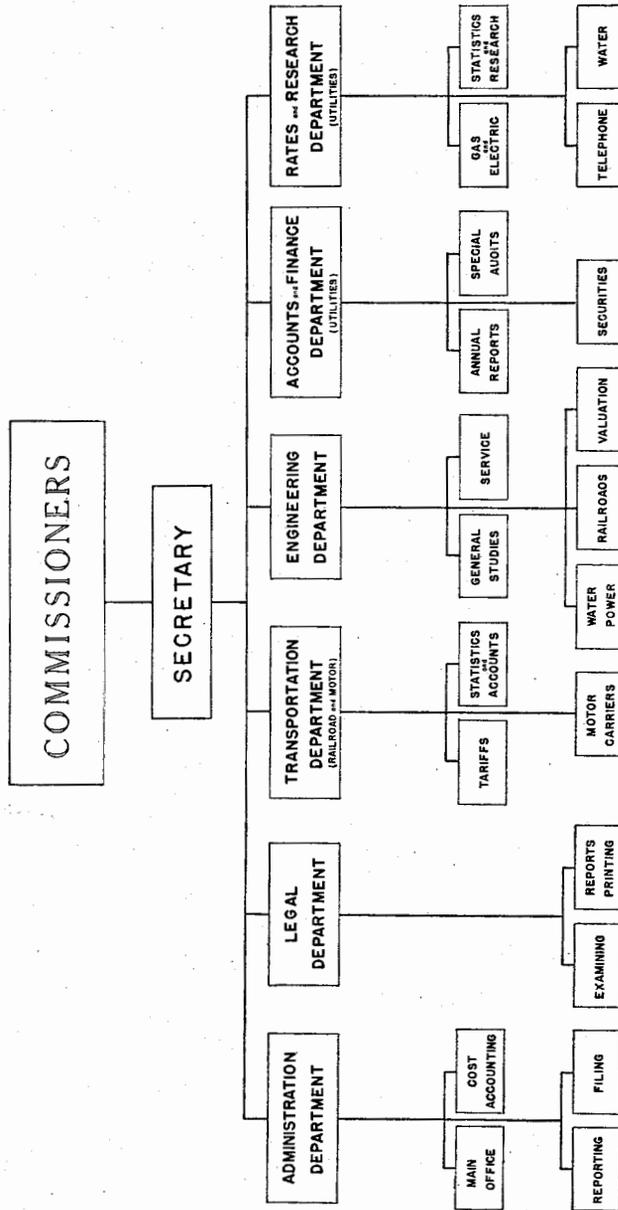
Edward T. Kaveny has served as secretary since July 1, 1941, and was appointed following a competitive civil-service examination in which he ranked first. He was born in Pawtucket, Rhode Island, attended La Salle Academy, Providence, Rhode Island, and Holy Cross College, Worcester, Massachusetts. He was a member of the editorial staff of newspapers in Providence, Pawtucket, and Woonsocket, Rhode Island; Waterbury, Connecticut; Syracuse, New York; Detroit, Michigan; and Milwaukee. He entered state service in 1935 as public relations director for various state departments. In 1937, he was appointed an assistant director of the Beverage Tax Division and public relations director of the State Treasury Department. In 1938, he became editor of the Tax Commission and liaison assistant to the director of the Tax Commission. In 1939, he returned to the Treasury Department as editor and administrative assistant of the Beverage and Cigarette Tax Division. He is chairman of the state and federal Secretarial Offices Committee of the National Association of Railroad and Utilities Commissioners.

PERSONNEL

June 30, 1952

	Number of People
Commissioners -----	3
Administration Department -----	34
Transportation Department -----	20
Legal Department -----	15
Engineering Department -----	28
Rates and Research Department -----	15
Accounts & Finance Department -----	10
Commission total -----	<u>125</u>

ORGANIZATION CHART
OF
PUBLIC SERVICE COMMISSION OF WISCONSIN



PUBLIC SERVICE COMMISSION OF WISCONSIN

PERSONNEL

John C. Doerfer, chairman
W. F. Whitney, commissioner
James R. Durfee, commissioner¹
Edward T. Kaveny, secretary
Alvin H. Olson, assistant secretary

Administration Department

Edward T. Kaveny, chief
Alvin H. Olson, assistant chief
Main Office Section—Florence R. Bratlie
Cost Accounting Section—John F. Goetz, Jr.
Filing Section—Faye M. Robbins
Reporting Section—(Supervised by Secretary)

Transportation Department

A. W. Larson, chief
Tariffs Section—Ivan A. Sherman
Statistics Section—C. E. Schreiber
Motor Carrier Section—Judd H. Justesen

Legal Department

William E. Torkelson, chief counsel

Engineering Department

George P. Steinmetz, chief
Warren Oakey, assistant chief
General Section—Ralph E. Purucker
Service Section—William H. Damon
Railroad Section—Hugo F. Muehrcke
Valuation Section—Warren Oakey
Water Power Section—William H. Cartwright

Accounts and Finance Department

A. R. Colbert, chief
Ralph S. Butler, assistant chief

Rates and Research Department

Henry J. O'Leary, chief
Eugene M. Downey, assistant chief

¹ James R. Durfee began his duties with the Commission on May 14, 1951. He succeeded Samuel Bryan who had served as a Commissioner since 1945.

B. Departments

For the efficient conduct of its business, the Commission staff is divided into six departments, each with specifically assigned duties: Administration, Legal, Engineering, Accounts and Finance, Rates and Research, and Transportation.

1. Administration department

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

Cost Accounting Section: Makes 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 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.

Reporting Section: Records official word-by-word proceedings at hearings and prepares transcripts.

2. Legal department

Advises the Commission as to procedure in all cases pending before it; conducts formal hearings; prepares notices of hearings; checks all orders issued by the Commission for conformity with legal requirements and as to their validity; handles all litigation in which the Commission may be a party; assists in the participation by the Commission in proceedings before federal agencies and departments involving subject matters under the Commission's jurisdiction; advises and assists the Commission's staff in the preparation and presentation of evidence in proceedings before the Commission or federal agencies.

Representatives of this department and Commissioners also sit as members of Interstate Commerce Commission joint boards.

William E. Torkelson, chief counsel, is head of the Legal Department.

3. Transportation department

The Transportation Department was established on February 1, 1952. It did not establish new functions or regulations, but did combine into a more efficient unit the several activities which had been carried on by various departments of the Commission.

Statistics and Accounts Section: Audits books and reports and analyzes costs of railroads and motor carriers and maintains files of general statistics and data on the transportation industry; prepares statistical, cost accounting, and general economic data for use in matters before the Commission, the Interstate Commerce Commission, other state and federal commissions and departments, courts, and legislative bodies.

Tariffs Section: Investigates transportation rates and fares of express, truck, and bus lines, streetcar, and 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. Centralizes and coordinates motor-carrier functions.

During the biennium, A. W. Larson was appointed Chief of the Transportation Department following a competitive civil service examination.

4. Engineering department

This 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, street-car, bus, truck, and railroad service as well as the safety of electric lines and equipment; investigations of utility applications to add facilities, make interconnections, and integrate operations; and investigations of water-power and navigation matters such as lake levels, obstructions in navigable waters, measurement of stream flow, and plans for proposed water-power structures and for their operation.

George P. Steinmetz has been Chief Engineer of the Commission for almost 20 years. He is chairman of the Engineering Committee of the National Association of Railroad and Utilities Commissioners.

5. Accounts and finance department

The Accounts and Finance Department audits books and reports of electric, telephone, gas, and water utilities; investigates and studies applications of utilities to issue stocks, bonds, and other securities; investigates financial practices of utilities; and makes recommendations to the Commission on matters pertaining to accounting and financial subjects.

A. R. Colbert, chief of the Accounts and Finance Department of the Commission, is chairman of the Accounts and Statistics Committee, and a member of the Committee on Depreciation of the National Association of Railroad and Utilities Commissioners.

6. Rates and research department

This department investigates and assigns rates and rules and analyzes costs of telephone, electric, gas, 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, and water rates.

Henry J. O'Leary, chief of the Rates and Research Department, has been head of the department for the past 12 years. He serves on the Special Committee of staff experts of the National Association of Railroad and Utilities Commissioners which is studying telephone problems, as well as being a member of other NARUC telephone committees.

C. Finances

The Commission has four principal sources of revenues 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 percent 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 percent of the total gross intrastate operating revenues for the previous 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 percent of the total gross intrastate operating revenues for the previous 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.

	1950-51	1951-52
Appropriations and receipts		
General legislative appropriations -----	\$227,115.00	\$227,432.00
Cost of living bonus appropriations -----	22,366.59	29,924.95
Emergency board appropriations -----	2,320.25	-----
Total appropriations -----	\$251,801.84	\$257,356.95
Utility receipts		
Direct charges -----	\$ 50,019.94	\$ 57,854.12
Remainder assessment -----	249,693.24	310,445.06
Total -----	\$299,713.18	\$368,299.18
Railroad transportation receipts		
Direct charges -----	\$ 4,357.08	\$ 5,200.61
Remainder assessment -----	68,147.24	90,292.69
Total -----	\$ 72,504.32	\$ 95,493.30
Fees for removal of material from outlying waters -----		
	\$ 30.00	\$ 5.00
Total appropriations and receipts -----	\$624,049.34	\$721,154.43
Disbursements		
Utility -----	\$366,910.95	\$397,376.46
Railroad transportation -----	97,059.52	92,478.04
Water power -----	44,901.63	51,373.96
Motor transportation -----	155,541.79	173,903.74
Total disbursements -----	\$664,413.89	\$715,132.20
Collections for general state fund		
Utility securities fees -----	\$ 67,456.12	\$ 38,571.44
Water power and engineering fees -----	1,064.87	1,414.52
Copy work and sale of printed matter -----	1,935.57	3,098.25
Penalty for late filing of annual report -----	25.00	-----
Total -----	\$ 70,481.56	\$ 43,084.21
Collections for state highway fund		
Motor carrier filing fees -----	\$ 31,415.00	\$ 32,930.00

X. COMMISSION WORK

The three Commissioners hold daily formal meetings with members of the staff and representatives of the public to transact Commission business.

A. Hearings

Under the direction of the Commission, hearing examiners held nearly 2,500 public hearings during the biennium in various parts of the state. More than 7,600 decisions and orders were issued after they had been directed and approved by the Commissioners. About 6,000 new proceedings were opened during the biennium, and an equal number were closed.

The following tables illustrate the above activities:

FORMAL CASES

	Opened During Biennium		Closed During Biennium	
	1950-51	1951-52	1950-51	1951-52
Railroad.....	178	138	179	159
Utility.....				
General.....	250	235	266	235
Securities.....	46	37	45	41
New plants and additions.....	114	104	113	114
Water power.....	48	39	42	46
Motor.....				
General.....	40	37	40	35
Common motor carrier certificates.....	35	37	36	37
Contract motor carrier licenses.....	1,372	1,436	1,359	1,437
Amendment of operating rights.....	948	930	940	949
Total.....	3,031	2,993	3,020	3,053

ORDERS ISSUED

	1950-51	1951-52
Railroad.....	225	222
Utility.....	502	447
Water power.....	54	66
Motor carrier.....	3,062	3,099
Total.....	3,843	3,834

INFORMAL CASES

	1950-51	1951-52
Informal railroad, utility, and water power cases....	1,047	1,019

SUITS AGAINST COMMISSION

	1950-51	1951-52
Total.....	12	16

HEARINGS		
	1950-51	1951-52
Railroad -----	195	156
Utility		
General -----	261	249
Securities -----	6	0
New plants and additions -----	38	46
Water power -----	52	43
Motor		
General -----	49	65
Common carrier certificates -----	104	99
Contract carrier licenses -----	525	533
Total -----	1,230	1,191

B. Federal cases

Members of the staff in the legal and other departments have appeared in a number of cases before the Federal Power Commission. Included are the Phillips Petroleum Company case and the Michigan-Wisconsin Pipe Line Company cases.

Phillips Petroleum Company is the sole seller and supplier of natural gas to Michigan-Wisconsin Pipe Line Company, which in turn sells natural gas to eight Wisconsin distributing companies serving Milwaukee, Madison, Appleton, Racine, Manitowoc, and Stoughton. The question in the Phillips case is whether it is a "Natural Gas Company" as defined in the Natural Gas Act. The Federal Power Commission held it was not, in a 4-to-1 decision (Commissioner Buchanan dissenting), and the matter is now pending on appeal to the United States Court of Appeals for the District of Columbia Circuit. If the ultimate answer is "yes" it means the Federal Power Commission can regulate the price for natural gas sold by Phillips to Michigan-Wisconsin Pipe Line Company, which is now about 8½ cents per thousand cubic feet. The contracts between Phillips and the Pipe Line Company contain a clause which results in an increase in the price to Phillips whenever the Pipe Line Company receives an increase in the price it can charge the distributing companies. At present the Pipe Line Company seeks to raise the price it charges the distributing companies to 35 cents per thousand cubic feet. It now charges 31½ cents under bond, an increase of 3½ cents over the original 28 cents. Of this increase, about \$625,000 annually

goes to Phillips under the contract clause, with no showing that Phillips' costs have increased.

The Pipe Line Company cases include Docket G-1156 (fixing initial price for gas sold by Pipe Line Company to distributing companies at 28 cents per thousand cubic feet); G-1769 (allocation case providing for allocation of gas between customers when demand exceeded pipe-line capacity in 1951); G-1678 (requested increase from 28 cents to 31½ cents per thousand cubic feet now being charged under bond); and G-1996 (requested increase from 31½ cents to 35 cents per thousand cubic feet.)

All these cases are of great importance to Wisconsin residents who are users of natural gas in the cities specified.

Among the important proceedings before the Interstate Commerce Commission in which this Commission participated were cases in which railroads sought a general 15-percent increase in freight rates; in which there were proposed increases in interstate express rates; the small shipment case, dealing with shipments of not over 300 pounds; the pickup and delivery investigation; and the general class-rate and classification cases.

C. Jurisdictional totals

The Commission now regulates the rates and services of public utilities, motor carriers, steam railroads, and other businesses, as follows:

Common motor carriers of passengers and property--	367
Contract motor carriers of property -----	10,098
Dams in the state -----	1,066
Electric railways -----	2
Electric utilities -----	131
Express companies -----	1
Heating utilities -----	5
Gas utilities -----	22
Steam railways -----	20
Telephone utilities -----	498
Telegraph companies -----	1
Common carriers of property by water -----	3
Sleeping car companies -----	1
Urban trackless-trolley systems -----	1
Water utilities -----	401
	12,617