

**PUBLIC SERVICE COMMISSION  
OF WISCONSIN**



**Biennial Report**  
**July 1, 1952, to June 30, 1954**

**W. F. WHITNEY**  
Commissioner

**JAMES R. DURFEE**  
Chairman

**GEORGE P. STEINMETZ**  
Commissioner

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**EDWARD T. KAVENY**  
Secretary

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## FOREWORD

The attached report is an outline of the work of the Public Service Commission from July 1, 1952 to June 30, 1954.

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.

### PUBLIC SERVICE COMMISSION OF WISCONSIN

JAMES R. DURFEE  
*Chairman*

W. F. WHITNEY  
*Commissioner*

GEORGE P. STEINMETZ  
*Commissioner*

EDWARD T. KAVENY  
*Secretary*

Madison, Wisconsin  
December 1, 1954

## I. SCOPE AND EXERCISE OF COMMISSION JURISDICTION

The Wisconsin Railroad Commission, created in 1874, was in its early years chiefly concerned with railroad rates. In 1931 the name was changed to Public Service Commission after the legislature had greatly expanded its powers and duties. Today the Commission's jurisdiction covers the rates and services or regulation of:

Common motor carriers of passengers and property--	347
Contract motor carriers of property -----	10,626
Dams in the state -----	1,082
Electric railways -----	3
Electric utilities -----	126
Express companies -----	1
Heating utilities -----	5
Gas utilities -----	21
Steam railways -----	20
Telephone utilities -----	460
Telegraph companies -----	1
Common carriers of property by water -----	5
Sleeping car companies -----	1
Urban trackless-trolley systems -----	1
Water utilities -----	406

In the 80 years of the Commission's existence, utilities and the public use of their services have grown and changed. New industries have been introduced and flourished. The Commission has coped with problems peculiar to a war economy; to depression and inflation; to varying degrees of federal jurisdiction over transportation, utilities, and water power; to an increasing tax load; and to the transition periods associated with growth and change.

While general policies and rules have been evolved for dealing with these situations as they arise, such is the complexity and interplay of modern utilities and transportation and the public dependence upon their "reasonably adequate service" that individual cases must be examined and orders issued on the merits of the particular case.

Expert study and analysis by personnel familiar with the intricacies of the industry precede all Commission orders. To insure consideration of all facets of a case, many orders are based on technical judgment and information from several departments of the Commission.

All orders are given a legal check, verifying the Commission's statutory jurisdiction and obligation in regard to the order to be issued.

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

What is thought of as routine, continuing work likewise demands professional training and practical working knowledge of the industry in general and the special details presented by an investigation. In the last 2 fiscal years the Service Section of the Engineering Department completed investigations as follows:

Utility inspections .....	1,322
Standard laboratory tests .....	1,394
Formal and informal cases .....	1,672
Steam railroad inspections .....	1,400
Miscellaneous .....	180

As a further example of such work, the Tariffs Section of the Transportation Department audited 13,773 freight and express bills and reported overcharges for claim adjustment amounting to \$4,075.05.

II. INFLATION AND TAXES

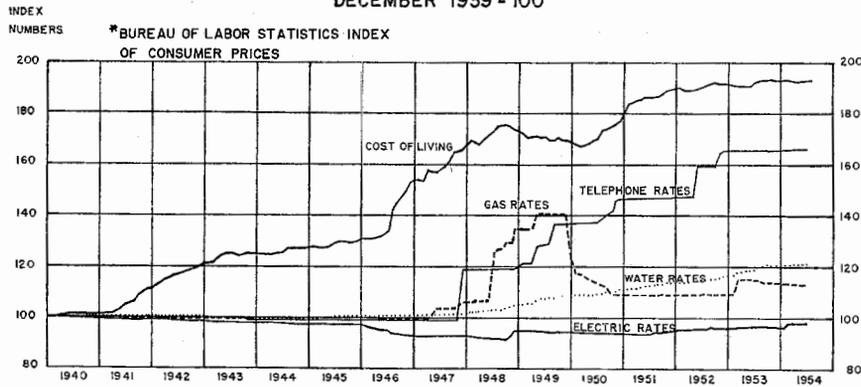
A. Inflation

According to the graph on this page, the cost of living, which has been rising for the last several years, is now demonstrating a tendency to level off. Like other businesses, regulated utilities are subject to the effects of inflation. However, utility rates, under regulation, have been maintained well below the level of the other principal items which go to make up the cost of living.

INDEX NUMBERS OF PUBLIC UTILITY RATES IN WISCONSIN AND

COST OF LIVING (U.S.)\*

DECEMBER 1939 = 100



Though, as indicated by comparisons in the table of index numbers, all utility rates advanced slightly during the biennium, electric rates remain lower than in 1939.

	Index Numbers		
	Dec. 1939	Dec. 1952	June 1954
Electric rates in Wisconsin .....	100	96.6	98.1
Gas rates in Wisconsin .....	100	109.3	113.7
Telephone rates in Wisconsin .....	100	165.18	165.8
Water rates in Wisconsin .....	100	116.7	121.8
Cost of living (U. S.) .....	100	191.5	193.1
Food prices (U. S.) .....	100	242.0	242.1
Weekly wages in Wisconsin industry .....	100	281.1	278.9
Weekly wages in Wisconsin industry (after taxes) .....	100	253.8	249.5

**B. Taxes**

The effect of taxes on utilities remains about the same as during the previous biennium. As was pointed out in the 1950-1952 Report, "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 additional income, it must collect, besides that \$100,000 a further \$122,222 to cover income tax payments, the greater portion of which goes to the federal government.

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

Year	Gas	Telephone	Electric	Total
1939	\$ 235,400	\$ 624,770	\$ 1,916,800	\$ 2,776,970
1951	3,129,300	7,321,124	17,028,960	27,479,384
1953	3,879,651	10,148,888	20,887,030	34,915,569

The increase of \$7,436,185 in income taxes for 1953 over 1951 is due primarily to the greater volume of business.

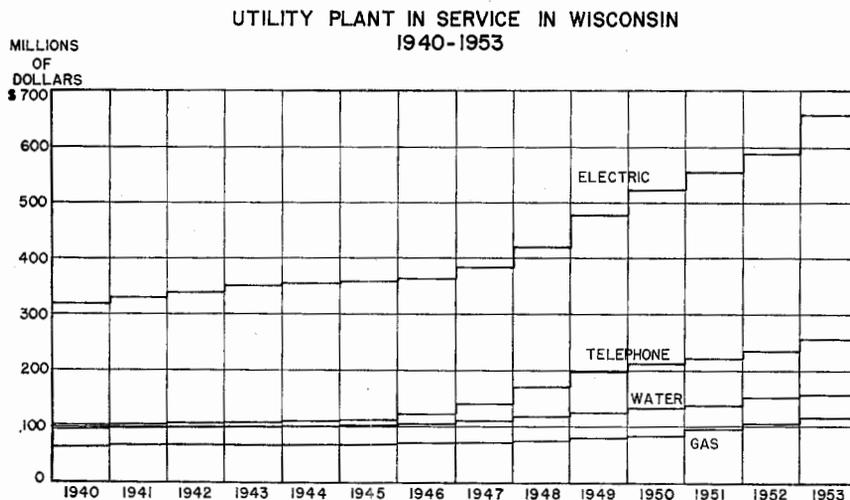
III. BIENNIAL HIGHLIGHTS

A. Utilities

1. Growth of utilities

Plant construction and expansion to meet a growing demand for utility services, present in the previous biennium, has accelerated during the last 2 years.

The electric industry has required the largest percentage of the \$113,813,136 of new capital in 1952-1954, an amount exceeding the past biennium's figure by \$30,124,555. Telephone, water, and gas utilities, in that order, shared in the total of new capital derived from security issues.



Certificates of authority issued to authorize plant construction, additions, or changes are tabulated below:

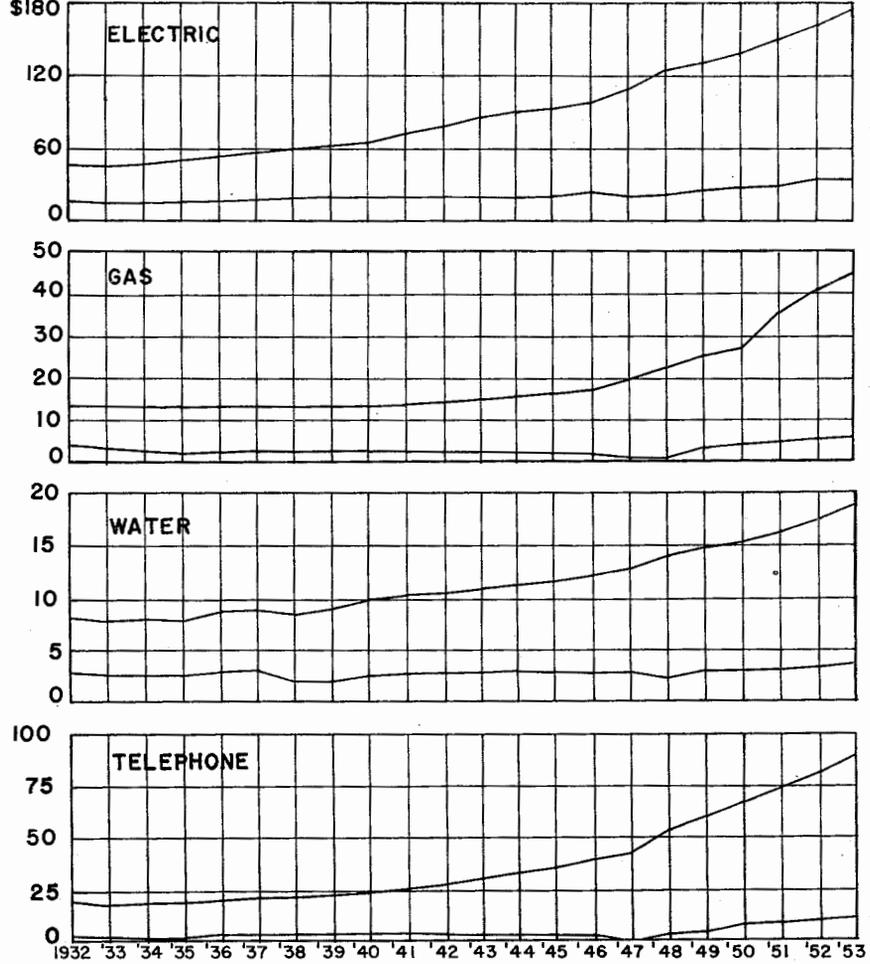
Electric power .....	48
Miscellaneous electric .....	4
Telephone utility .....	33
Gas utility .....	5
Water and sewage utility .....	69
Miscellaneous utilities .....	2

GROSS AND NET OPERATING REVENUES

PUBLIC UTILITIES OPERATING IN WISCONSIN

MILLIONS  
OF  
DOLLARS  
\$180

1932-1953



2. *Electric utilities*

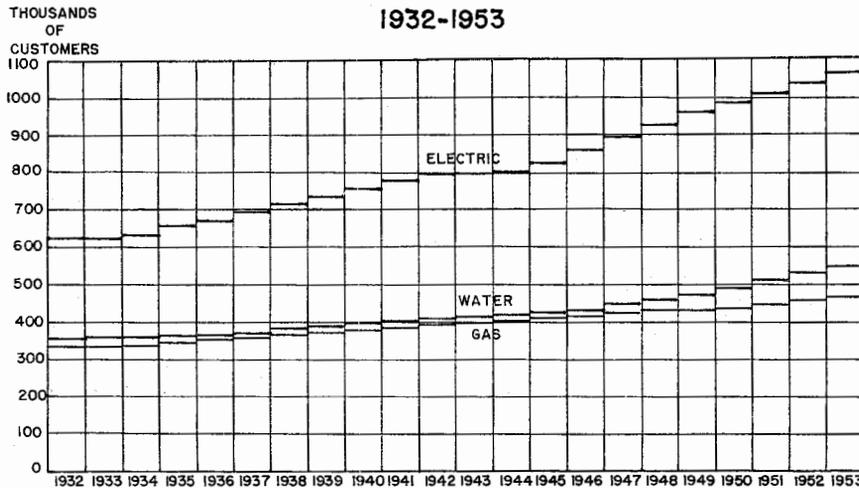
The electric industry which operates advantageously under mass production and rising demand has needed less rate increase even though (see graph of Utility Plant in Service in Wisconsin), its plant expansion has been greater than the other utilities'.

Plant additions, July 1, 1952-June 30, 1954, can be tabulated as follows:

	Hydro	Diesel	Steam electric
Authorized -----	200 KW	5,925 KW	207,500 KW
*Placed in operation -----	630	2,985	249,000
*Authorized, but not yet installed -----	200	5,640	387,500

\* Includes projects authorized in previous bienniums.

ELECTRIC, WATER, AND GAS CUSTOMERS IN WISCONSIN



3. *Telephone utilities*

Labor constitutes about 60 percent of the operating costs of the telephone industry (as compared with 20 percent for electric utilities), and wages have continued to increase.

Except in small exchanges, increased output usually results in higher cost per unit. Each new subscriber must have a connection available to all other subscribers in the

exchange. Provision for such connections necessitates added outside plant and additional and more complex switching equipment. Thus, in the past, the highest rate increases have been necessary for the telephone industry, which is second only to the electric in plant expansion, including the program of conversion to automatic dial operation. Wisconsin Telephone Company, for example, has increased the percentage of dial installation from 29 percent in 1946 to 82.3 percent in 1954.

#### *4. Gas utilities*

The rise in operating costs of gas companies has been associated with the introduction of natural gas: conversion cost, obsolescence of equipment, and, most important, the wholesale price paid pipeline companies for gas. Despite the ever-increasing demand for natural gas, the industry has been unable to reduce unit costs because of restricted supply. Nevertheless, Wisconsin consumers' gas rates are lower than they would be had natural gas not been introduced into the state.

#### *5. Water utilities*

The cost of plant expansion to meet increasing water demand varies chiefly according to the requirement for new wells which, in some parts of the state, notably the Milwaukee, Green Bay, and Marshfield-Wisconsin Rapids areas, are more expensive and more frequently needed because of the falling water table.

#### **B. The elastic metropolitan area**

City limits are definite lines on a map; however, the territory representing such concepts as "metropolitan area," "trading area," and "community of interest" shifts and expands as suburbs collect around a city, town and country grow closer together, and communities merge or realign into new "territories." Service problems arise peculiar to this transitional period in the growth of economic and social population units.

For several years the telephone companies have met these changes by altering exchange boundaries when necessary, by offering foreign exchange service to subscribers desiring

connection with an exchange other than the one serving the area in which they reside, and by instituting extended-area service to include satellite municipalities.

These population shifts, have, so far, precipitated no unusual gas or electric service problems, but those water utilities already facing a growing demand not easily solved by new well installations will experience greater difficulty in extending their service areas.

The dilemma of the urban transportation companies is further complicated by requests for service to new suburban communities. To give these outlying areas service would, in many cases, increase the bus-miles (and the attendant operating expense) out of proportion to anticipated revenue therefrom.

#### C. Transportation of passengers

Like the utilities, carriers of passengers are faced with the high price of materials and rising wages, which latter are a proportionately large part of their operating expense. The carriers are not, however, "embarrassed" by an increasing demand for their services. Quite the contrary.

The monopoly-aspect characteristic of utilities is not present in mass transportation of either persons or property. Plane, train, bus, and private car are available as means of passenger travel.

##### 1. *Urban busses*

For Wisconsin urban carriers the volume of traffic remained steady from 1944 through 1949 at from 340 to 344 million passengers a year. After 1949 it dropped steadily to 214 million passengers in 1953, and the riding trend continues to decline.

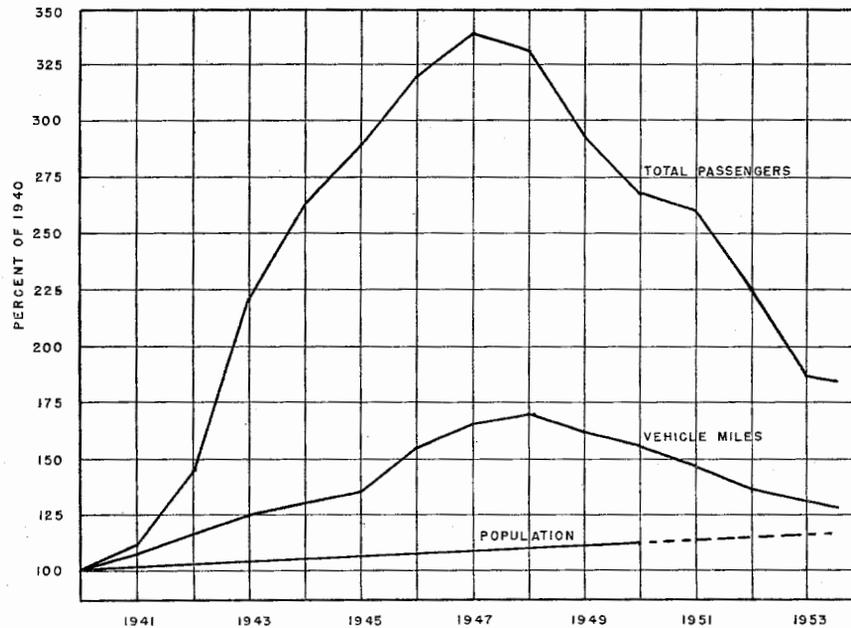
The privately owned automobile is, literally, giving urban bus companies a run for their money. Note the increase of auto registrations as shown on the graph on page 15.

The Commission has observed that "In the case of urban service not only do automobiles provide an attractive and competitive mode of transportation, but they also tend to create traffic congestion along major bus routes which thereby impedes the movement of mass transportation vehicles."

## PUBLIC SERVICE COMMISSION OF WISCONSIN

COMPOSITE GRAPH OF 19 WISCONSIN URBAN BUS SYSTEMS. INDEX OF  
TOTAL PASSENGERS CARRIED, VEHICLE MILES OPERATED, & POPULATION

(1940=100)



The Commission has jurisdiction over fares and the maintenance of "reasonably adequate service." However, Commission service orders cannot take the place of, or require the exercise of, managerial initiative in creating a service above minimum standards, or of municipal initiative in experimentation with respect to traffic and parking regulations having an affect on mass transportation service. Without the cooperation of company management, city government, and the public, Commission orders (necessarily circumscribed by jurisdictional limits) cannot secure the best possible service. Moreover, without such cooperation and its beneficial results, rate and service orders must be based on limited earnings due to the limited patronage.

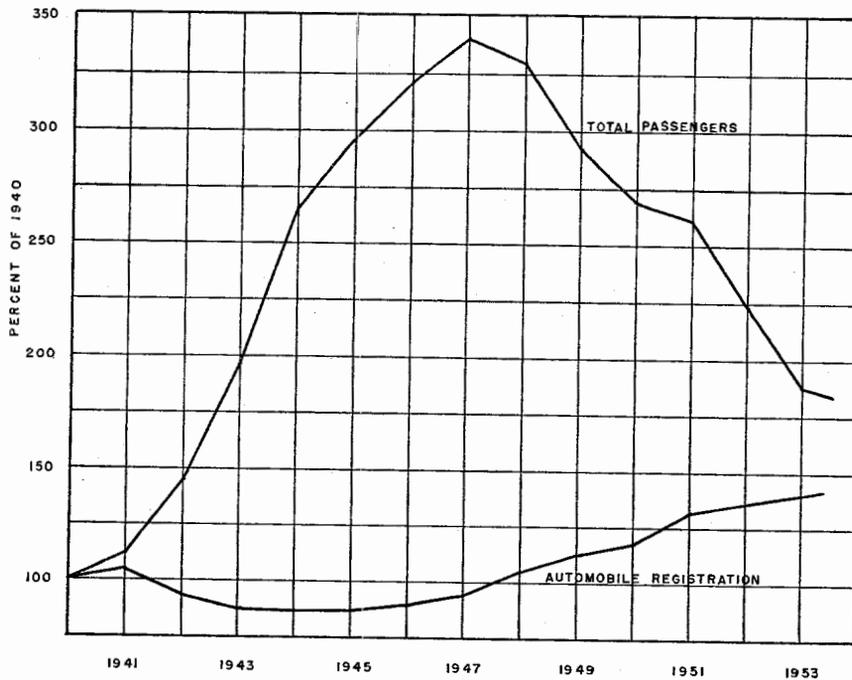
The Commission has advised that urban bus companies "to continue successful operation . . . must be vigilant to seek every reasonable economy in operation." For example, abandonment of routes, when there is a duplicate service available from other routes, constitutes such an economy. Route changes, however, cannot effect any drastic reduction of vehicle-miles which remain, therefore, comparatively constant whatever the patronage.

Janesville, the only Wisconsin city to operate a municipally owned bus company, was granted a fare increase in September 1953, enabling it to approach an operating ratio of 100 percent; that is, to break even.

PUBLIC SERVICE COMMISSION OF WISCONSIN

COMPOSITE GRAPH OF 19 WISCONSIN URBAN BUS SYSTEMS. INDEX OF TOTAL PASSENGERS CARRIED, AND AUTOMOBILE REGISTRATION.

(1940 = 100)



The urban bus crisis is by no means limited to Wisconsin. Cities in all states have similar problems. A national survey of the problem and the efforts of various cities to cope with the situation were detailed in an appendix to the Madison Bus Company order (MC-1449—August 28, 1953).

On March 26, 1954, Governor Kohler appointed a Commission on Urban Transportation to make a study of the critical mass transportation problems in Wisconsin cities. A. Wilford Larson, chief of the Transportation Department of the Public Service Commission, is a member of the committee.

## 2. Railroad passenger traffic

Several years ago a Public Service Commission hearing room was packed with people, all of whom had come to Madison *by car* to object to the discontinuance of a train which they could have ridden to Madison, had they chosen to do so.

Obviously the increase in auto registrations, cited in the graph illustrating the plight of urban bus companies, is equally pertinent here.

The Interstate Commerce Commission annual reports show that intercity transportation of passengers, on a basis of passenger-miles, is distributed as follows:

	Railroads	Motor carriers of passengers	Domestic airways	Private automobile
1950 -----	8.2%	5.23%	2.01%	84.37%
1952 -----	7.23%	4.40%	2.62%	85.46%

Railroad passenger traffic in the United States (excluding commutation riding) dropped from 595 million in 1944 to 246 million passengers in 1949, and since then has varied only from 214 to 201 million a year. For the first 5 months of 1954 there was an 11-percent decrease from the previous year. Wisconsin intrastate traffic follows the national pattern.

Over-all experience of the railroads in the passenger field discloses a need for reduction of losses on the little-patronized branch-line trains. In deciding cases of proposed abandonment of particular passenger trains, the Commission considers the following factors: (1) present and future

patronage, (2) extent of carrier's loss on the operation, (3) relation of that loss to the carrier's operation as a whole, (4) balancing said loss with public inconvenience if service is discontinued, and (5) availability and adequacy of other transportation. See listing of Commission orders on pages 34 and 35.

The extent of the financial loss incurred in the operation of a train is important only as it is balanced with other factors. The need for service, as evidenced by patronage or availability of other public transportation of similar scope, is the prime consideration in abandonment cases. As the Supreme Court of Wisconsin cited, in a decision upholding the Commission's denial of the application of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company to discontinue trains between New Lisbon and Woodruff:

As long as a carrier exercises its privilege of doing business, it has a primary duty of furnishing reasonably adequate service to the public, which duty may be compelled, even if by so doing, a pecuniary loss may result. (*Chicago, Milwaukee, St. Paul and P. R. Co. v. Public Serv. Comm.* (1951) 260 Wis. 212.)

In several instances bus service has been ordered substituted for discontinued train service. To be considered a direct substitute for train service, a bus must operate between the same termini and make the same station stops as did the train for which it is a substitute.

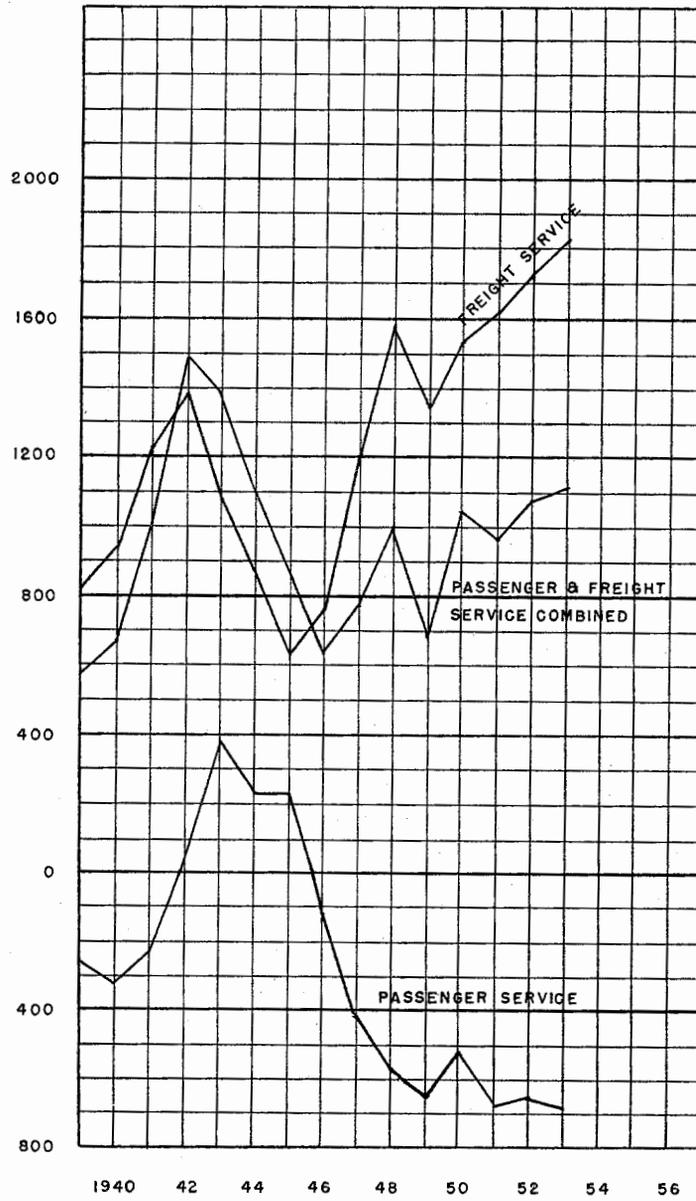
#### D. Railroad service curtailed

The railroads have continued and intensified their efforts to improve net earnings by the abandonment of unprofitable branches, elimination of money-losing passenger trains, and the curtailment or complete abandonment of agency service at smaller stations especially where freight is predominantly carload lots which have less need for agency service than l.c.l. shipments.

The curtailment of service is reflected in the table of train-miles operated by Class I railroads in Wisconsin:

	Train-miles in thousands	
	Passenger mileage	Freight mileage
1944 -----	10,027	11,459
1949 -----	9,521	9,798
1952 -----	8,432	9,660
1953 -----	8,336	9,071

NET RAILWAY OPERATING INCOME BY  
CLASS OF SERVICE AND COMBINED  
CLASS I LINE HAUL RAILWAYS OF UNITED STATES



**E. Freight**

The volume of railroad freight tends to vary according to the long-haul, bulky, or very heavy shipping required by industry and agriculture. Motor carriers, however, are increasing the scope of their freight business at the expense of the railroads.

Railroads, in some cases, perform by truck their peddle operations of l.c.l. shipments from large termini to points along the line.

The most controversial development in transportation at the present time is the quite widespread development by the railroads of the so-called pig-a-back service in which loaded motor trailers are transported between certain stations on railroad flat ears. The service of the various railroads takes varied forms and is generally at motor carrier competitive rates.

## IV. PROBLEMS OF GAS UTILITIES

## A. Natural gas, supply and demand

Since the introduction of natural gas in Wisconsin in 1949, the state has been faced with a chronic shortage of supply. The Michigan-Wisconsin Pipe Line Company, on the basis of tariffs filed with the Federal Power Commission, fixes the maximum number of spaceheating customers allowed to each of the 8 Wisconsin companies purchasing gas from it, and also specifies that the utilities shall not connect any customers who will use more than 10,000 M c.f. of natural gas in any one month.

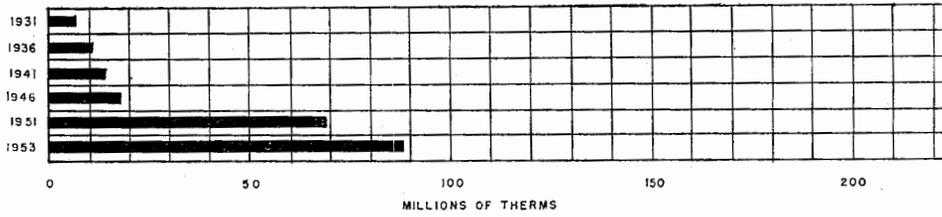
During the past biennium the Commission has taken active steps to augment the supply of natural gas and to secure natural gas for those areas of the state where natural gas has not been available.

In 1953 American Louisiana Pipe Line Company, an affiliate of Michigan-Wisconsin Pipe Line Company, filed an application with the Federal Power Commission for authority to construct a new natural gas line from southern Louisiana to Michigan and Wisconsin. The proposed line would approximately double the supply of natural gas to the 8 utilities now receiving gas from Michigan-Wisconsin Pipe Line Company. The Commission has intervened and actively participated in the proceedings not only on behalf of existing users but also in an effort to obtain gas for the Wisconsin Valley and Marinette areas. As of September 1, 1954, these proceedings were still pending before the Federal Power Commission.

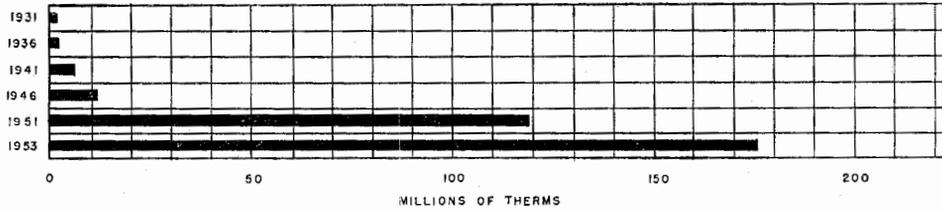
Additionally the Commission has been active in trying to obtain natural gas for the western part of the state from the Wisconsin-Illinois line to the Superior area. Market studies were prepared and made available to several interested potential suppliers. The Commission intervened and is actively participating in several proceedings involving certificate applications of Northern Natural Gas Company which is serving Minnesota areas adjacent to Wisconsin. The Commission has also conferred with other pipeline company representatives from time to time in an effort to

# WISCONSIN GAS UTILITIES

## INDUSTRIAL USE

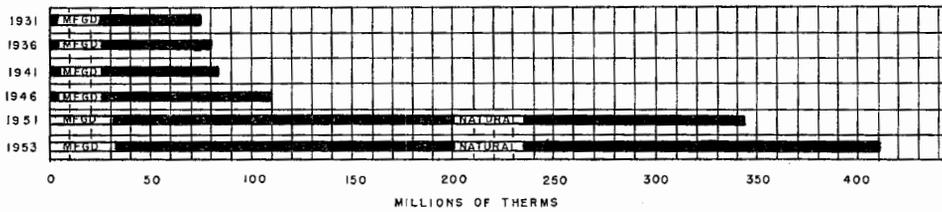


## SPACE HEATING USE

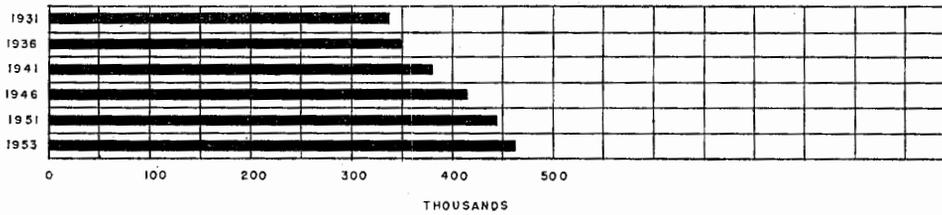


## TOTAL STATE REQUIREMENT

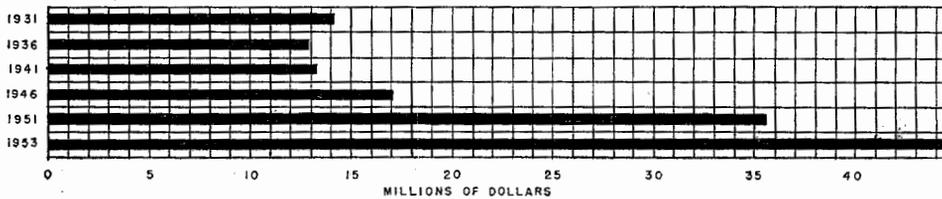
MANUFACTURED & NATURAL



## TOTAL NUMBER OF CUSTOMERS



## OPERATING REVENUES



obtain additional natural gas supplies. In September 1953 it sent representatives to testify at Calgary, Canada, relative to obtaining Canadian gas for Wisconsin. It now appears that the recently authorized Trans-Canada Pipeline may make available some gas for northwestern Wisconsin within the near future.

On June 7, 1954, the state of Wisconsin, and the Public Service Commission won a very important victory in the United States Supreme Court when that court held that Phillips Petroleum Company was a natural gas company and as such was thereby subject to jurisdiction of the Federal Power Commission.<sup>1</sup> Both the company and the Federal Power Commission had resisted jurisdiction. In recent years uncontrolled field prices have spiralled up to such an extent as to threaten the economic feasibility of the entire natural gas industry in this area.

Attached to the gas rate increases authorized by the Commission is a provision for passing along proportionately to consumers any refund which the utility may receive from Michigan-Wisconsin Pipe Line Company of the presently charged 35 cents a M c.f., a wholesale rate which the Federal Power Commission permitted to go into effect under bond, pending final decision.

#### **B. Gas safety rules**

A gas safety code is being formulated, interim rules and regulations having been set forth in 2-U-3829—September 5, 1952.

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<sup>1</sup> See also citations and discussion on page 59.

## V. ELECTRIC UTILITIES

## A. Growth of industry

Though the number of electric utilities has gradually decreased from 181 in 1931 to 146 in 1942, and to 126 in 1954, the industry has grown rapidly. Plant under construction, generating capacity, number of customers, and kilowatt-hours used by each customer mount at a fairly even pace, while the revenue per kilowatt-hour steadily declines. The pattern of the industry and comparisons with the national picture are shown in graphs on pages 24 and 25.

During the biennium seven utilities were absorbed by or sold to larger utilities and, continuing the trend toward interconnecting facilities for mutual assistance, there were six authorizations for new interconnections between utilities and seven utilities interconnected with rural electric and power cooperatives.

## B. Dams

Authorization was granted for construction or enlargement of three power dams:

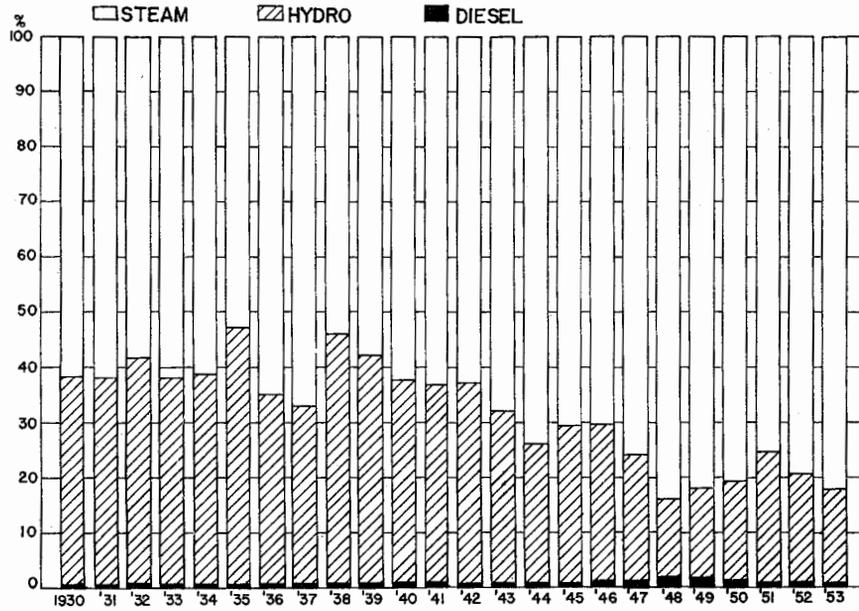
Grimh Power Company—Grimh Dam on Couderay River near Radisson  
 Dairyland Power Cooperative—Flambeau Dam on Flambeau River  
 Winter Electric Light & Power Company—hydroelectric development on Chippewa River near Radisson

The operation of power dams in the state is indicated by the following table:

Over 750 theoretical horsepower	
Public utility hydroelectric developments .....	53
Private power developments .....	16
Combined utility and private power developments .....	10
Dams owned by or leased to co-ops .....	5
Under 750 theoretical horsepower	
Public utility hydroelectric developments .....	71
Private power developments .....	107
Dams supplying power to public utilities .....	11

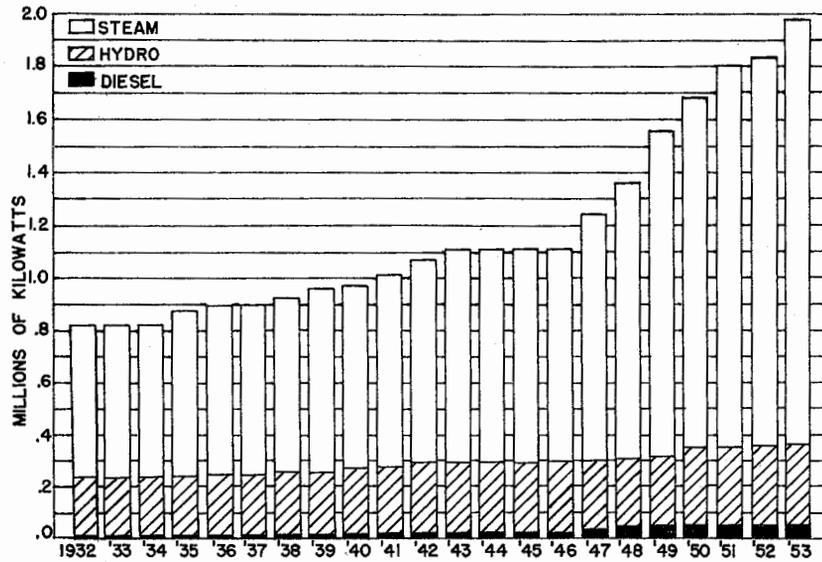
For further discussion of dams, see Water Use and Conservation.

KILOWATT HOURS GENERATED BY UTILITIES IN WISCONSIN  
 PERCENTAGE DISTRIBUTION BY TYPE OF GENERATION  
 1930-1953



ELECTRIC GENERATING CAPACITY OF UTILITY PLANTS IN WISCONSIN

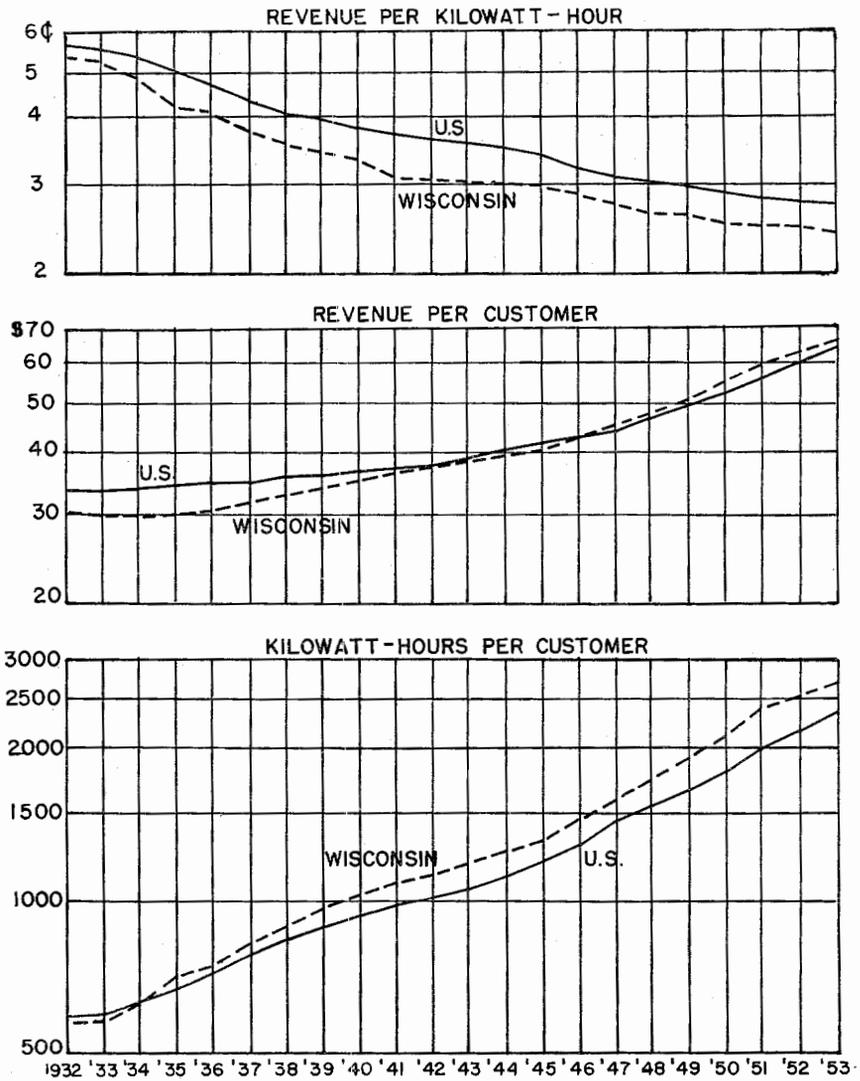
1932-1953



ELECTRIC RESIDENTIAL REVENUE AND CONSUMPTION RATIOS

WISCONSIN AND UNITED STATES, 1932-1953

(Ratio Scale)



**C. New type of service**

Temporary rates and rules were ordered for electric spaceheating and for ice-and-snow-melting service, relatively new types of service being offered by Wisconsin Electric Power Company.

**D. Future generating capacity**

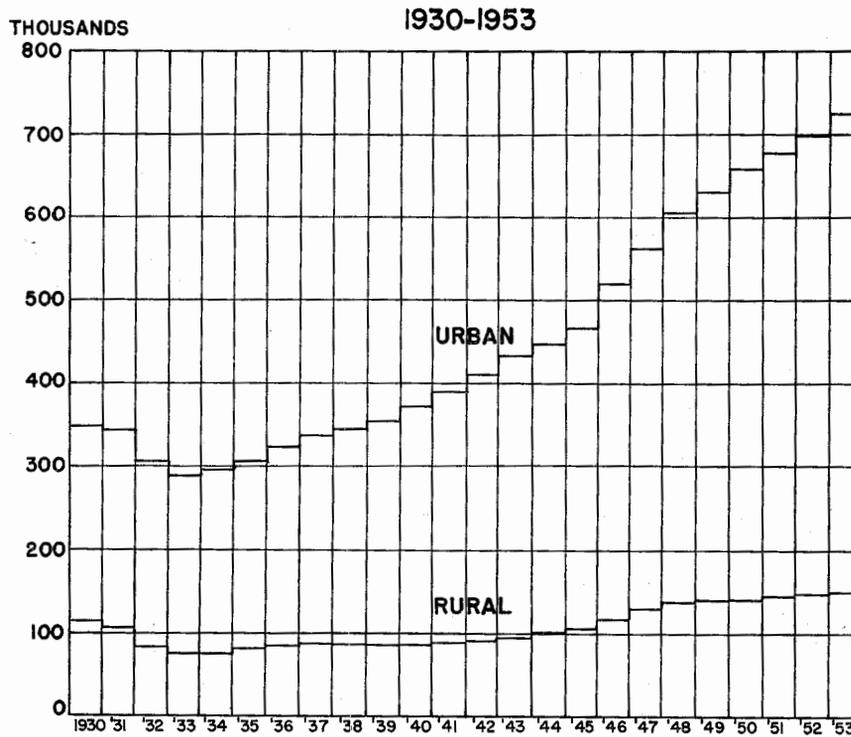
As the utilization of the most advantageous water power sites approaches a saturation point, and in view of the high cost of diesel operation, the anticipated increased generating capacity can be expected chiefly in additional thermal plant.

VI. TELEPHONE UTILITIES

A. Rates and service

The continuing trends toward extended-area service and conversion to automatic dial operation, together with rehabilitation of plant in order to give satisfactory service, have called for large capital outlay by the industry.

URBAN AND RURAL MAIN TELEPHONES IN WISCONSIN



Unable to meet the need for plant expansion and rehabilitation, many small telephone companies are combining or being purchased by larger companies which assume their service obligations. The number of telephone companies in the state has been declining at a varying rate.

Year	No. of companies	Year	No. of companies
1938 -----	769	1948 -----	601
1940 -----	746	1950 -----	535
1942 -----	732	1952 -----	498
1944 -----	720	1954 -----	460
1946 -----	710		

Rate increases have been necessary to compensate the telephone companies for the higher price of materials needed for expansion and conversion, higher wages, and greater demand for service, especially since the telephone industry is one in which increased service usually results in higher unit cost. In recent decisions, the rate of return allowed small telephone companies has been between 6 and 6.5 percent.

The first rates and rules applying to automatic answering-and-recording service were authorized for the Wisconsin Telephone Company in an order dated August 8, 1952.

#### 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 interstate service is 204 miles; for Wisconsin intrastate calls, only 33 miles. Because interstate calls are more numerous, are between large population centers producing a large volume of toll business, 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 but has not been seriously affected by increases in the terminal cost of establishing connection between two toll users. Intrastate toll service, on the other hand, has benefited little from line-haul cost re-

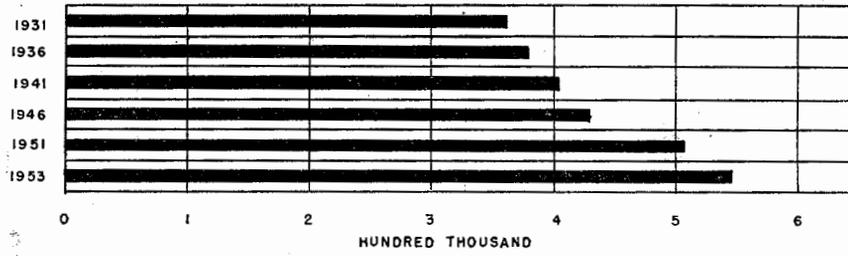
duction and has been adversely affected by increases in terminal cost. Thus the disparity in state and interstate toll service rates is due in part to differences in cost of service.

With both state and federal jurisdictions involved, 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 unduly favor interstate service.

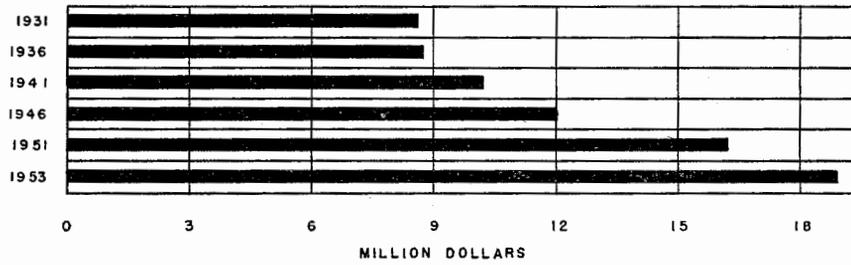
Henry J. O'Leary, chief of the Rates and Research Department of the Commission, is chairman of the Separations and Toll Rule Committee of the National Association of Railroad and Utilities Commissioners. During the biennium this committee has been preparing suggestions for revision of separation procedures which would allocate more joint costs to interstate service.

# WISCONSIN WATER UTILITIES

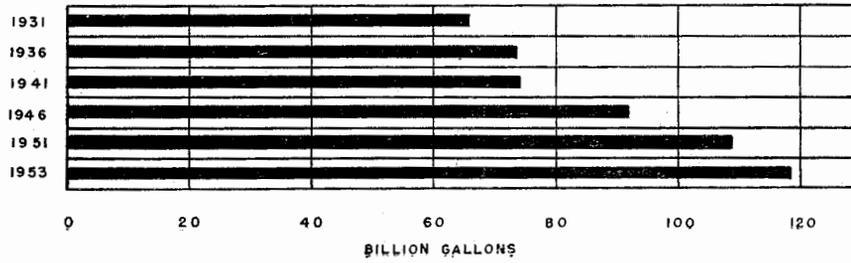
## CUSTOMERS



## OPERATING REVENUE



## WATER PUMPED



## VII. WATER AND SEWER UTILITIES

## A. Number of utilities

The number of water utilities, most of them publicly owned, has increased as shown below until there are relatively few Wisconsin communities without a public water supply:

Year	No. of water utilities	Year	No. of water utilities
1940 -----	331	1948 -----	360
1942 -----	353	1950 -----	392
1944 -----	356	1952 -----	401
1946 -----	360	1954 -----	406

The number of sewage utilities, all publicly owned, has been increased, 13 authorizations for new installations having been granted during the biennium.

## B. Increased demand for water service

Fifty-one authorizations were granted for major water utility plant additions. When possible, such additions were designed to satisfy the estimated requirements for several years' growth.

In numerous cases petitions for service outside city limits, especially those requests to serve a new and growing suburban development, gave rise to the question of the area which the utility has an "obligation to serve." The Commission has noted that this obligation "may arise under varying circumstances, the more usual ones being the acceptance of a franchise, or by voluntarily entering into a contract to serve, or by actually furnishing service in the area" (2-U-4104—February 18, 1954). In 2-U-4102 the Commission observed that in the absence of specific service-area delineation, fixed prior to the establishment of service outside the city limits, it must look to past policy and service performance to determine the extent of the utility's undertaking to serve the public.

As is indicated by the graph on page 30, the water demand is increasing at a proportionately greater rate than the number of customers, a demand that must sometimes be curtailed by restrictions on nonessential uses of water during periods of drouth and falling water table or insufficient facilities.

## VIII. RAILROADS

## A. Freight rates

The railroads are operating under the 15-percent surcharge authorized by the Interstate Commerce Commission which became effective May 2, 1952, on interstate traffic and August 18, 1952, on intrastate traffic. The expiration date for this surcharge has been advanced from February 28, 1954 to December 31, 1955, in conformity with ICC action.

The ICC granted the Railway Express Agency, Inc., an increase of approximately 20 percent on class and commodity rates, subject to specified maxima, to supersede the 6-cent surcharge previously authorized. Tariffs providing similar increases on Wisconsin intrastate traffic became effective on statutory notice without protest.

## B. Freight rate cases

Freight rate cases handled in the 1952-1954 biennium have been largely the aftermath of changes originating in the previous biennium. The nearer approach to stable conditions has relieved the pressure for general freight rate increases.

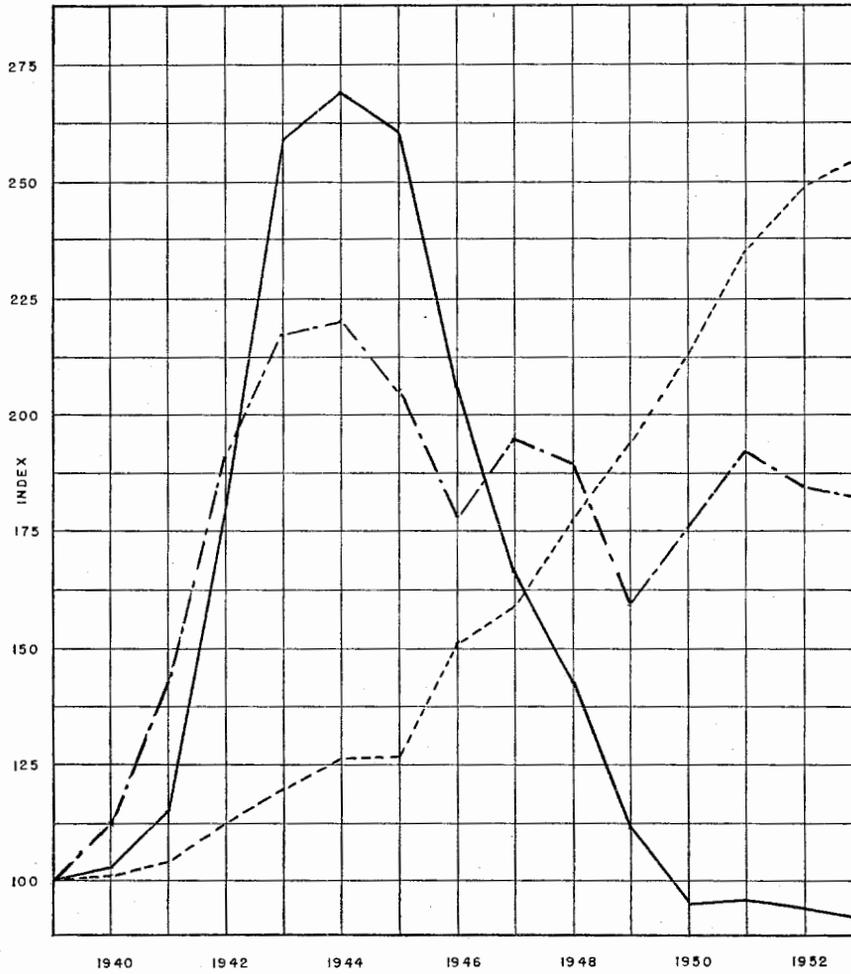
While the cost of labor and materials continues to mount, the rate has materially diminished. For example, the 1944 average straight-time hourly railroad wage rate of a little over 90 cents was about doubled (\$1.84) by 1952, but has since risen to only \$1.95 for May 1954. Comparisons of wage rates, however, underestimate the more recent rise in labor cost, since in the last several years various employees' fringe benefits, which do not affect the wage rates themselves, have become relatively more important.

There were 126 informal applications seeking short-notice authority to file tariff changes on less than statutory time, and 16 informal investigations, involving reparation or waiver of undercharges, to adjust freight charges on specific shipments.

A reduction was ordered in switching rates on coke and lake-cargo coal at Superior.

# RAILROAD TRENDS

- AVERAGE STRAIGHT TIME COMPENSATION PER HOUR OF ALL RAILROAD EMPLOYEES
- - - - REVENUE TON MILES OF FREIGHT - CLASS I LINE HAUL RAILROADS OF U.S.
- \_\_\_\_\_ NUMBER OF PASSENGERS CARRIED EXCLUDING COMMUTATION PASSENGERS. CLASS I LINE HAUL RAILROADS OF U.S.



**C. Class rates**

In the matter of redistribution of freight charges as between various classes of traffic, the most widespread has been the substitution of class rates and ratings under the present uniform classification for exception ratings related to prior class rates.

The Commission found that the railroads' proposal to establish the uniform freight classification and the interstate level of class rates and groupings (prescribed in ICC Dockets 28300 and 28310) for application on Wisconsin intrastate traffic had not been shown to be just and reasonable.

**D. Volume of freight**

Volume of traffic, an important factor in the cost of handling freight, has varied widely, as shown by the following statistics on revenue freight in the United States:

year	billions of ton-miles
1944 -----	737
1949 -----	526
1951 -----	647
1953 -----	606

The more recent recession is greater, in that the volume for the first 5 months of 1954 is more than 10 percent below the volume for the same months of 1953.

**E. Passenger trains**

The decline of railroad passenger traffic has been discussed on pages 16-17 of this report. Resumés of important cases dealing with applications to discontinue service illustrate the variety of solutions:

**Chicago and North Western Railway Company**

Authorized to discontinue operation of passenger trains 11 and 12 between Monico, Wisconsin, and Watersmeet, Michigan, annually from October 1 to May 15, provided the railroad furnishes substitute bus service in its own name at railroad fares. 2-R-2506—July 17, 1953.

Authorized to discontinue operation of passenger trains 9 and 10, provided the railroad arrange for substitute bus service between Fond du Lac and Wild Rose to fill the need which exists because of the lack of any parallel alternative public transportation service on this most patronized part of the Fond du Lac-Marshfield line. 2-R-2088—January 15, 1954.

Application to discontinue trains 601 and 620 between Madison and Milwaukee, denied, said trains being required to maintain ade-

quate service to the public. Particular attention was given to the use and dependent revenues of train 601 which connects with the Dakota 400. It is possible that the loss of revenues, both on and beyond the line, exceed the relievable costs of operating said train. 2-R-2698—February 2, 1954.

Authorized to discontinue trains 108 and 109 between Manitowoc and Merrillan. Railway's loss is disproportionate to the inconvenience that will result from patrons' use of other public or private transportation. 2-R-2682—April 20, 1954.

Chicago, Milwaukee, St. Paul and Pacific Railroad Company

Authorized to discontinue trains 700, 701, 711, and 718 on Madison-Portage branch line on condition that railroad seek authority as a common motor carrier of passengers in order to substitute bus service for trains 700 and 701. It is estimated that annual expenses of operating busses to afford connections with Hiawatha trains at Portage will be \$40,000 less than operation of trains 700 and 701. 2-R-2463—August 6, 1952.

Application to substitute bus service for trains 200 and 201 north from Wausau to Minocqua and Woodruff during winter months (Sept. 15-May 15), denied. Public need for present train service outweighs loss to railroad; there is no showing that operating loss between Wausau and Woodruff materially affects over-all operation. Proposed bus service would have been inadequate to meet public demand and the use of standby equipment would have materially decreased savings estimated for substituting bus for train service. It was pointed out that, were it possible to operate these trains with one less car, the difference in allocated car-mile expense would result in gain rather than present deficit for the New Lisbon-Woodruff operation. 2-R-2482—October 24, 1952.

Authorized to discontinue trains 29, 47, and 112, Madison-Milwaukee, the operating loss being out of proportion to public need for the service, as evidenced by declining patronage and available alternative service. Budd units, studied as a possible substitute service, were shown to be no more economical than present equipment when depreciation and interest on investment were taken into consideration. 2-R-2651—September 30, 1953.

Minneapolis, St. Paul & Sault Ste. Marie Railroad Company

Authorized to discontinue trains 84, 85, 60, 61, 72, and 73 between Ladysmith and Dresser. The continued operation of said trains would impose a far greater burden on the railroad than would be imposed on the public by the slight inconvenience resulting from use of remaining public transportation. 2-R-2760—June 15, 1954.

**F. Crossing protection**

Though most of the 6,668 unprotected grade crossings are in open country and subject only to light traffic, there are many others requiring warning devices. Frequently, heavier automobile traffic at higher speeds and an increase in visual obstruction occasioned by building construction have rendered present protection inadequate.

The legislature has appropriated \$250,000 annually to help pay the high cost of crossing protection. The Commis-

sion is investigating ways to reduce this cost so that the available money may serve to protect additional crossings.

During the past 2 years the Commission ordered crossing protection estimated to cost \$329,916 and earmarked \$121,900 of state funds as the state's share of the cost. In addition the railroads installed signals estimated to cost \$278,885 with the state not participating in the cost.

In an order establishing standards of automatic protection of highway crossings (revised February 20, 1953), it is stated that "On new signal installations and changes in existing protection made voluntarily by the railroads which involve automatic signals, the Commission will consider for approval plans for installation of:

Flashing-light signals with short-arm gates  
Flashing-light signals with rotating stop signs  
Flashing-light signals with train-actuated illuminated stop signs  
Wigwags  
Auxiliary equipment for any of the above types of signals, such as floodlights, or 'no left turn,' or 'no right turn' signs."

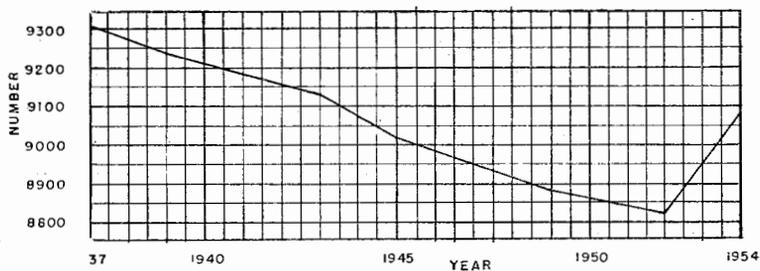
The installation ordered for any specific crossing depends on the result of staff investigation of obstructions to a view of the crossing, gradient, traffic, accident record, and all pertinent facts connected with that crossing.

The collection of accurate and complete data used as criteria in determining the need for or type of additional crossing protection is facilitated by the detailed accident report form set forth in 2-R-2509—August 6, 1952, and the requirement that the railroads number all grade crossings according to a system uniform throughout the state.

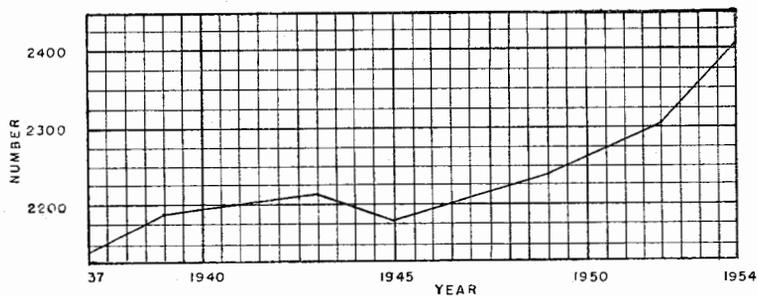
The increase in the number of crossings during the past 2 years, as indicated by the graph, resulted from a recently completed inventory of crossings in the state. It was found that quite a number of crossings previously considered private should now be classed as public crossings.

HIGHWAY - RAILROAD CROSSING

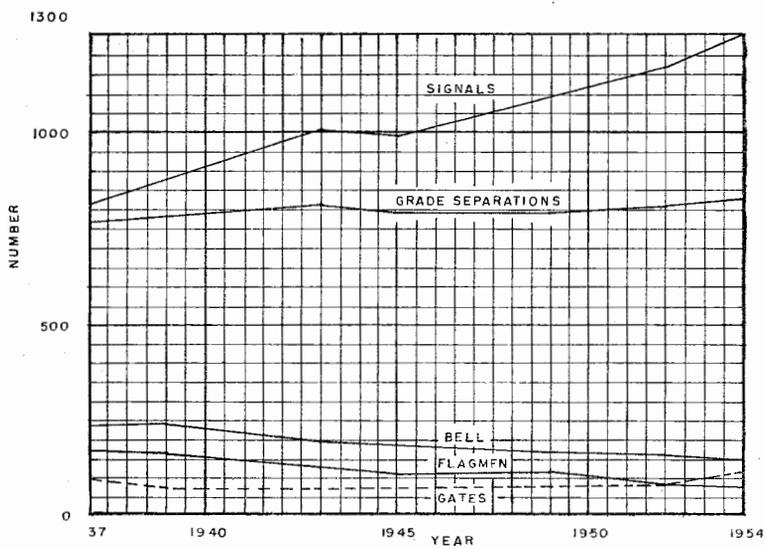
TOTAL CROSSINGS



PROTECTED CROSSINGS



TYPE OF PROTECTION



## IX. MOTOR CARRIERS

A very high ratio of operating expenses to gross revenue is typical of common motor carrier operations. Consequently, a slight decrease in business or a small increase in operating expenses can in a very short time result in an actual operating loss. With both wages and the cost of materials and supplies increasing, prompt Commission action is necessary to protect the solvency of the carriers. A total of 322 informal applications were handled in the biennium wherein common carriers sought special authority to publish various rate and tariff changes.

## A. Motor carriage of property

Common motor carrier freight tonnage for the nation shows an increase from 1944 to 1953 (Wisconsin traffic coincides approximately with the national pattern) :

Year	Tons
1944 -----	55 millions
1949 -----	82 millions
1953 -----	126 millions

However, the volume for the first 3 months of 1954 was 8 percent below that for the same months of 1953.

Common motor carriers of property were granted, in September 1953, a rate increase of approximately 5 percent to offset increased operating expenses.

On June 3, 1953, a Commission order authorized a new scale of maximum rates to apply to the transportation of used household goods and office equipment by contract motor carriers. The increases granted range from 25 percent in connection with short hauls to 10 percent for longer hauls. The rise in labor costs was the main reason for the requested increase. Rules and regulations were also modified.

## B. Highway restrictions

The weekend highway restrictions during summer months, which were reinstated following World War II, were continued in effect with but minor changes. Between 125 and 150 permits a season are issued by staff members who are available on weekends and holidays throughout the summer months to authorize such special permits for travel

on restricted highways. This program necessitates constant contact with the Motor Vehicle Department and the State Highway Commission.

**C. Canning season, trucking**

In the previous biennium the canning companies, in cooperation with the Motor Vehicle Department and this Commission, developed, with some degree of success, a program of registering vehicles leased during the rush harvest season. In 1953 and 1954, however, the industry, apparently because of insurance complications and managerial problems, insisted that the contract carriers secure operating authority from this Commission and operate as independent contractors. This created an abnormal increase in the workload of the Commission.

**D. Contract carrier authorities**

The Transportation Department of the Commission checks through contract carrier licenses, weeding out those authorities, or parts of authorities, which are not exercised. The task of partial revocation has assumed tremendous proportions in connection with livestock hauling which has become a specialized function, separate and distinct from hauling of farm products, especially since the inception of the brucellosis program by the State Department of Agriculture.

**E. Common motor carriers of passengers; intercity busses**

Data compiled from reports to the Interstate Commerce Commission show a drop in passengers carried by interstate motor busses in the United States from 541 million in 1944 to 426 million in 1949 and, in 1953, to 300 million. The first 3 months of 1954 declined 13 percent below the same months of 1953.

Northland Greyhound Lines, Inc., was authorized to increase its intrastate commutation fares on a fixed mileage basis, with student fares lower than adult fares. Various other companies were also granted fare increases during that time.

**F. Urban busses**

The urban transportation crisis has been discussed in previous pages of this report.

## X. WATER USE AND CONSERVATION

The Commission, in exercising jurisdiction over the level and flow of thousands of miles of navigable rivers and streams and 8,676 lakes in the state, must give consideration to the conservation of natural resources, protection of private riparian property, and the increasing use (recreational, industrial, and agricultural) of the streams and lakes.

## A. Dams

The following table points out the function of the 1,082 dams under Commission jurisdiction:

*Power dams over 750 theoretical horsepower -----	84
*Power dams under 750 theoretical horsepower -----	189
Reservoirs -----	31
Lake control -----	187
Recreational -----	291
Occupational -----	80
Drainage control -----	220

\* Hydroelectric power is also discussed under Electric Utilities.

## B. Water power cases

The 95 formal water power cases decided during the biennium include:

Dams (acquisition, permits for construction, and operation) -----	26
Diversion of water (irrigation) -----	5
Encroachment -----	5
Obstructions -----	3
Removal of materials -----	25
Water levels determined for lakes -----	18
Toll reports -----	8
Miscellaneous -----	5

## C. 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.

## D. Natural Resources Committee

The Commission is also represented on the Natural Resources Committee, created in 1951 to promote the welfare of Wisconsin by collecting, analyzing, and interpreting in-

formation and by making recommendations to the several state agencies on matters relating to soils, waters, forests, fish, wild life, and other natural resources.

**E. Water Regulatory Board**

One of the three members of the Water Regulatory Board is, as required by statute, a member of the Public Service Commission staff. The duties of this board include the supervision of dams and dykes across drainage ditches, water conservation, irrigation, and provision for areas suitable for aquatic wild life.

## XI. SECURITY REGULATION

Under the provisions of Chapter 184 of the Wisconsin Statutes, the Commission is charged with the duty of regulating the issuance of securities by the public service corporations, the ultimate purpose of which is to assure reasonable protection to the purchasers of the securities to be issued. During the biennium covered by the report the Commission considered 72 applications and granted authorizations to issue a total of \$125,668,865 par value of securities for which the applicants paid into the general fund the statutory fees of one dollar for every thousand dollars of said securities as required by the statutes. A comparison of the amount of securities authorized with those for the two preceding bienniums together with the purposes for which the securities were authorized is shown in the following tables:

Type of security	1948-1950	1950-1952	1952-1954
Common stock .....	\$ 32,435,639	\$ 25,315,385	\$ 63,991,365
Preferred stock .....		3,675,000	8,000,000
Bonds .....	70,460,000	55,425,000	45,375,000
Other forms of debt .....	11,011,300	21,254,200	8,302,500
Total .....	\$113,906,939	\$105,669,585	\$125,668,865

Purpose of security	1948-1950	1950-1952	1952-1954
New capital .....	\$108,010,404	\$ 83,688,581	\$113,813,136
Refunding of securities .....	5,325,775	19,412,700	95,629
Merger or acquiring of property .....	46,200	4,350	10,207,000
Stock dividends .....	441,160	2,538,754	1,553,100
Validation of void securities .....	83,400	25,200	
Total .....	\$113,906,939	\$105,669,585	\$125,668,865

The issuance of approximately \$114,000,000 of securities for new capital during the biennium can be closely related to additions to utility plant necessary to serve the public. During the 2 calendar years 1952 and 1953 Class A privately owned utilities increased utility plant by about \$148,100,000. At the same time, depreciation reserves increased \$24,500,000, making an increase in depreciated plant of \$123,600,000. This latter figure includes some duplications for property acquisitions. Considering this fact, and

the 6 months' difference in time interval, it is seen that the net increase in plant and security issues are closely related.

During the past biennium common stock equities have improved. For the 2 calendar years 1952 and 1953, common stock financing has resulted in an increase of \$33,318,260 par value of that type of security, and the total common stock equity (including premium received on stock plus surplus) shows an increase of \$69,350,113. Preferred stock increased only \$6,377,780, and bonds plus other forms of debt increased \$30,317,217, resulting in a total increase in capitalization of \$106,045,110 for the biennium.

The ratio of the various classes of securities to the total capitalization and the ratio of debt securities to net utility plant in service show an improvement, as reflected in the following table:

	As of Dec. 31, 1951		As of Dec. 31, 1953	
	Amount	Ratio	Amount	Ratio
Common stock .....	\$289,600,808	40.5%	\$322,919,068	39.3%
Premium on capital stock .....	10,648,091	1.5	23,784,538	2.9
Capital surplus .....	8,822,065	1.2	8,821,406	1.1
Earned surplus .....	41,745,598	5.8	64,641,663	7.8
Total common stock equity .....	\$350,816,562	49.0%	\$420,166,675	51.1%
Preferred stock .....	69,586,720	9.7	75,964,500	9.3
Bonds & other long-term debt .....	295,493,507	41.3	325,810,724	39.6
Total capitalization and surplus ..	\$715,896,789	100.0%	\$821,941,899	100.0%
Ratio of bonds & other long term debt to net utility plant in service .....		47.0%		44.8%

The above figures include Wisconsin Telephone Company, whose capitalization is solely common stock. Eliminating this company, the composite capitalization ratios become:

	Dec. 31, 1951	Dec. 31, 1953
Common stock equity .....	38.0%	40.4%
Preferred stock .....	11.8%	11.3%
Bonds and other long-term debt .....	50.2%	48.3%

In prior reports the Commission has commented on its efforts to encourage common stock financing as a means of improving the security structures of public service corporations. The extent to which this policy has been followed can be seen in the above table. During the past 2 years approximately \$64,000,000, or more than 50 percent of the

securities authorized, were in the form of common stocks. It will be noted also that the predominant purpose of these security issues was to supply new capital to the utility industry of the state to finance unusually large construction programs. As in the previous biennium the electrical utility industry continues to increase its generating capacity to meet added demands, and the telephone industry is continuing its program of converting its exchanges to automatic dial operation.

Some years ago practically all of the outstanding common stocks of the larger electric utilities in Wisconsin were owned by holding companies. However, due to the administration by the Federal Securities and Exchange Commission of the public-utility holding company act, a large amount of this common stock has been redistributed and is now held by the public. At the close of 1953, common stocks of the following larger Wisconsin electric utilities were held directly by the public with the number of stockholders shown:

Wisconsin Electric Power Co. -----	35,395
Wisconsin Power & Light Co. -----	26,807
Wisconsin Public Service Corp. -----	11,111
Madison Gas & Electric Co. -----	7,270
Lake Superior District Power Co. -----	3,669
Wisconsin Hydro Electric Co. -----	963
Mississippi Valley Public Service Co. -----	610
Total -----	85,835

The above total of 85,835 stockholders compares with 73,350 stockholders stated in our previous report. The companies listed have about 73 percent of the annual electric operating revenues.

## XII. ACCOUNTING REGULATION

In the performance of its functions under the various public-utility laws administered by the Commission, many different kinds of financial and accounting investigations are required and have become routine work continuing from year to year. These activities include the design, preparation, and review of the required annual reports of all public utilities to this Commission, the installation of new accounting systems, auditing of books and records, determination of annual depreciation rates on utility property, investigation of any irregularities and financial practices of utilities, attendance at hearings and conferences, and presentations of evidence obtained in its investigations. This supplies the Commission with a vast source of necessary facts and information about the operation of utilities for its guidance in deciding many regulatory problems.

**A. Classification of utilities**

Because many utilities have increased the amount of their gross operating revenues to compensate for increased operating expenses, without materially increasing the relative size of the utility, the amounts of gross revenues by which the classes of electric, telephone, and water utilities are defined were increased to more closely coincide with present-day conditions. Taking electric utilities as an example:

Class of utility	Annual gross operating revenue	
	Previously prescribed	Presently prescribed
Class A -----	\$250,000 or more	\$1,000,000 or more
Class B -----	50,000-\$250,000	150,000-\$1,000,000
Class C -----	5,000- 50,000	5,000- 150,000

**B. Certification of depreciation rates**

Another activity during the biennium was the requirement, for certification, of depreciation ratios of utilities. The public-utility industry in Wisconsin, for the past several years, has been engaged in construction and installation of substantial amounts of new property. In view of the affect of this new property on the service lives heretofore used in determining depreciation rates previously certified, the Commission ordered each Class A and Class B utility of the state to submit, on or before December 31, 1953, revised estimates of the annual rate of depreciation required for each of its classes of utility property. By June 30, 1954, a number of new certifications of depreciation rates have been issued and work in this matter is continuing.

## XIII. 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, and a staff of 124 persons. The Commissioners are James R. Durfee, chairman, W. F. Whitney, and George P. Steinmetz.

Commissioner James R. Durfee was born in Oshkosh, Wisconsin. He was graduated from the Marquette University 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. On June 17, 1953, Mr. Durfee was appointed chairman of the Commission by Governor Kohler.

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. On October 5, 1939, Mr. Whitney's first appointment was made by Governor Heil. In March, 1941, he was reappointed by Governor Heil for a 6-year term, and on March 18, 1947, he was reappointed by Governor Rennebohm for another 6-year term. On June 23, 1953, he was reappointed by Governor Kohler.

Commissioner George P. Steinmetz was born near La Farge, Wisconsin. He received his degree of Bachelor of Science in Civil Engineering from the University of Wisconsin. He has been employed by the Public Service Commission since 1923, serving as Chief Engineer from 1935 to 1953 except for a military leave of absence (1942-1945) when he directed and reviewed purchases of utilities services for Fifth and Sixth Service Commands and later, as a Lieutenant Colonel in the office of the Chief of Engineers in Washington, D. C., planned and directed renegotiation of large wartime utilities contracts for the Army and Navy and other Federal agencies. His consulting work has included work for TVA, U. S. Military Government for West Germany, National Security Resources Board, Economic Cooperation Administration on utility regulation and electricity supply, and Telephone Advisory Committee for REA. He is chairman of the Wisconsin Committee on Water Pollution and of the subcommittee on Water Resources (Wisconsin Natural Resources Committee), and of the Committee on Engineering of the National Association of Railroad and Utilities Commissioners. In 1952 Mr. Steinmetz was awarded a citation by the University of Wisconsin for Distinguished Engineering Service to the State and Nation. He was appointed to the Public Service Commission by Governor Kohler on June 23, 1953.

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

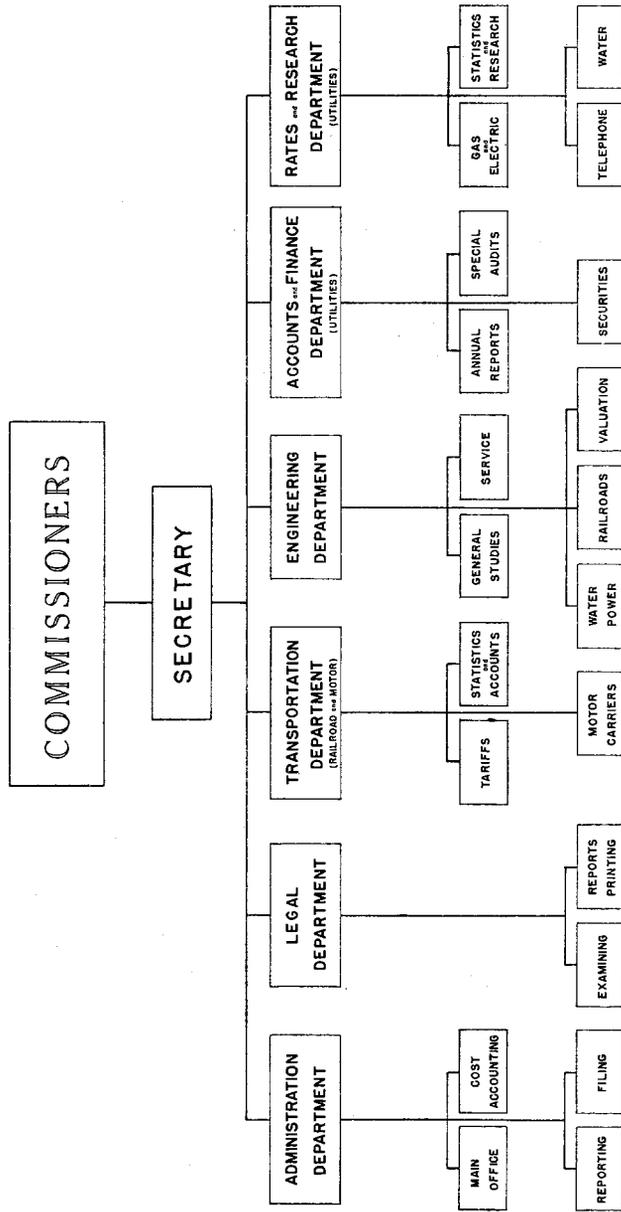
Treasury Department as editor and administrative assistant of the Beverage and Cigarette Tax Division. He is chairman of the state and federal Secretarial Offices Committee of the National Association of Railroad and Utilities Commissioners.

## PERSONNEL

June 30, 1954

	Number of people
Commissioners -----	3
Administration Department -----	34
Legal Department -----	13
Transportation Department -----	23
Engineering Department -----	28
Accounts and Finance Department -----	11
Rates and Research Department -----	16
Commission Total -----	<u>128</u>

ORGANIZATION CHART  
OF  
PUBLIC SERVICE COMMISSION OF WISCONSIN



## PUBLIC SERVICE COMMISSION OF WISCONSIN

## PERSONNEL

James R. Durfee, chairman  
W. F. Whitney, commissioner  
George P. Steinmetz, commissioner  
Edward T. Kaveny, secretary

## Administration Department

Edward T. Kaveny, chief  
Main Office Section—Florence R. Bratlie  
Cost Accounting Section—John F. Goetz, Jr.  
Filing Section—Faye N. 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

Warren Oakey, chief  
Ralph E. Purucker, 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

## 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

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. (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, 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 general rules in conformity with the style and standards required for the Wisconsin Administrative Code. In addition there is published annually a volume of reports comprised of all railroad crossing and water power orders and other orders of significance. The work of editing 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.

Representatives of this department sit as members of Interstate Commerce Commission joint boards which consist of representatives of the states in motor carrier applications involving operations in three or less states.

### *3. Transportation department*

**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.

#### *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, 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.

#### *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 prescribed for all classes of utilities; prepares any required interpretations of those systems of accounts; investigates and studies applications of utilities, made pursuant to Chapter 184 of the Statutes, for authority 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, who has been chief of the department for the past 19 years, is chairman of the Committee on Accounts and Statistics of the National Association of Railroad and Utilities Commissioners, and, for many years, has been a member of the Committee on Depreciation of the association.

#### *6. Rates and research department*

Investigates and assigns rates and rules and analyzes costs of telephone, electric, gas, and water utilities; prepares technical reports and recommendations for the exam-

ining 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 14 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.

## XIV. FINANCES OF THE COMMISSION

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

1. To defray the expenses of regulating the rates, service, construction, finances, and security issues of telephone, electric, gas, and water utilities, whether privately or municipally owned, the Commission makes an assessment of costs of 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  $\frac{1}{2}$  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  $\frac{2}{3}$  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.

	1952-53	1953-54
Appropriations and receipts		
General legislative appropriations -----	\$231,192.00	\$231,100.00
Cost of living bonus appropriations -----	33,875.76	36,872.74
Emergency board appropriations -----		4,452.00
Total appropriations -----	<u>\$265,067.76</u>	<u>\$272,424.74</u>
Utility receipts		
Direct charges -----	\$ 60,950.38	\$ 66,007.75
Remainder assessment -----	332,314.69	334,947.58
Total -----	<u>\$393,265.07</u>	<u>\$400,955.33</u>
Railroad transportation receipts		
Direct charges -----	\$ 7,706.23	\$ 6,717.25
Remainder assessment -----	87,712.39	93,582.59
Total -----	<u>\$ 95,418.62</u>	<u>\$100,299.84</u>
Total appropriations and receipts -----	<u><u>\$753,751.45</u></u>	<u><u>\$773,679.91</u></u>
Disbursements		
Utility -----	\$399,936.43	\$402,576.23
Railroad transportation -----	102,107.12	109,581.55
Water power and navigation -----	56,401.43	59,305.71
Inspection of dredging -----		225.17
Motor transportation -----	179,308.32	201,206.53
Total disbursements -----	<u>\$737,753.30</u>	<u>\$772,895.19</u>
Collections for General State Fund		
Utilities securities fees -----	\$ 71,576.47	\$ 52,283.53
Water power and engineering fees -----	997.54	1,214.66
Copy work and sale of printed matter -----	2,831.82	3,019.75
Total -----	<u>\$ 75,405.83</u>	<u>\$ 56,517.94</u>
Collections for state highway fund		
Motor carrier filing fees -----	\$ 35,780.00	\$ 59,895.00

## XV. 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 2,180 public hearings during the biennium in various parts of the state. A total of 7,068 decisions and orders were issued after they had been directed and approved by the Commissioners. Comparing the previous biennium to this, 181 more formal cases were opened in 1952-1954 than 1950-1952, and 102 more such cases were closed.

Several changes were made in the Rules of Procedure and Practice (General Order No. 2) to which formal hearings before the Commission must conform.

## FORMAL CASES

	Opened during biennium		Closed during biennium	
	1952-53	1953-54	1952-53	1953-54
Railroad .....	139	150	133	144
Utility				
General .....	226	211	237	186
Securities .....	36	34	33	36
New plants & additions .....	98	91	103	86
Water power .....	43	44	34	42
Motor				
General .....	37	31	34	39
Common motor carrier certificates .....	27	24	23	29
Contract motor carrier licenses .....	1,575	1,458	1,502	1,536
Amendment of operating rights .....	965	1,016	917	1,061
Annual totals .....	3,146	3,059	3,016	3,159
Biennial totals .....	6,205		6,175	

## ORDERS ISSUED

	1952-53	1953-54
Railroad .....	167	183
Utility .....	408	362
Water power .....	44	62
Motor carrier .....	2,898	2,944
Total .....	3,517	3,551

INFORMAL CASES		
	1952-53	1953-54
Informal railroad, utility and water power cases -----	1,064	807

SUITS AGAINST COMMISSION		
	1952-53	1953-54
Total -----	10	7

HEARINGS		
	1952-53	1953-54
Railroad -----	139	115
Utility		
General -----	233	138
Securities -----	3	4
New plants and additions -----	46	29
Water power -----	56	49
Motor		
General -----	50	49
Common carrier certificates -----	83	72
Contract carrier licenses -----	562	552
Total -----	1,172	1,008

#### B. Cooperation with other agencies

The Transportation Department of the Commission cooperates with the Motor Vehicle Department in checking on the proper interpretation of and operation under motor carrier authorities. Staff members have participated in the Traffic Officers' Schools, the University of Wisconsin seminars for the trucking industry, and the safety program of the Wisconsin State Truckers Safety Council.

The Commission is represented on the Water Pollution and the Natural Resources Committees and the Water Regulatory Board which are concerned with the preservation, control, and conservation of the state's natural resources.

Stream gaging records at about 100 stations and lake level records at 28 stations are being compiled on a cooperative basis by the Public Service Commission and the Water Resources Branch of the United States Geological Survey.

The Electric Standards Laboratory of the University of Wisconsin, in cooperation with this Commission, calibrates standard electric meters which, in turn, are used for testing meters at utility customers' premises. The Laboratory is, in part, supported by the Commission.

### C. Participation in ICC proceedings

The Commission has participated in several important proceedings before the Interstate Commerce Commission in which

The railroads were granted a general 15-percent surcharge on freight rates.

Express class and commodity rates were increased by approximately 20 percent.

Pick-up-and-delivery charges in the East on interterritorial railroad traffic were established.

Two longstanding Fourth Section orders of the ICC which operated to control Wisconsin intrastate passenger fares were canceled and withdrawn.

Common motor carriers were granted a \$1.50 surcharge in the Central Territory.

Reasonableness and lawfulness of refunds on lake-cargo coal are pending.

Transcontinental class rates to and from Wisconsin are pending.

Common motor carriers applied to transfer greater portions of the freight burden to lighter weight, shorter haul, and lower-rated shipments by imposition of flat surcharges on such shipments.

### D. Proceedings in courts

#### 1. Court decisions, Supreme Court of the United States

In the biennium there have been a number of decisions of interest by appellate courts in which the Legal Department took an active part. The most significant is *Phillips Petroleum Company et al. v. Wisconsin et al.*, 347 U. S. 672, decided on June 7, 1954. This case establishes that Phillips Petroleum Company is a "natural gas company" as defined in the Natural Gas Act and that the Federal Power Commission has power to fix the rate for natural gas sold by Phillips to Michigan-Wisconsin Pipe Line Company. This is of great significance because said rate is the starting point in determining cost of natural gas paid by the ultimate consumer in Wisconsin.

The judgment of the Supreme Court in the above case affirms that of the United States Court of Appeals for the District of Columbia Circuit in *Wisconsin et al. v. Federal Power Commission, et al.*, 205 F. 2d 706, which reversed an order of the Federal Power Commission in *Re Phillips Petroleum Company*, 10 F.P.C. Rep. 246.

## 2. Court decisions, Supreme Court of Wisconsin

In this biennium there were also a number of cases decided by the Supreme Court of Wisconsin in which the Legal Department participated. Such cases enumerated according to the type of Commission jurisdiction involved are:

- a. Motor carrier field
  - Motor Transport Co. v. Public Serv. Comm.*, 263 Wis. 31
  - Albrent Freight & Storage Co. v. Public Serv. Comm.*, 263 Wis. 119
  - West Shore Express v. Public Serv. Comm.*, 264 Wis. 65
- b. Extension of bus or trackless trolley service
  - Madison Bus Co. v. Public Serv. Comm.*, 264 Wis. 12
  - The Milwaukee E. R. & T. Co. v. Public Serv. Comm.*, 261 Wis. 299
  - Milwaukee & Suburban Transp. Corp. v. Public Serv. Comm.*, 267 Wis. 144
- c. Extension of telephone service
  - Lodi Telephone Co. v. Public Serv. Comm.*, 262 Wis. 416
- d. Extension of water utility mains and charges therefor
  - DePere v. Public Serv. Comm.*, 266 Wis. 319
- e. Water power cases
  - Muench v. Public Serv. Comm.*, 261 Wis. 492
  - Luening v. Public Serv. Comm.*, 261 Wis. 516