

**PUBLIC SERVICE COMMISSION  
OF WISCONSIN**



**Biennial Report**

**July 1, 1954, to June 30, 1956**

**GEORGE P. STEINMETZ**  
Chairman

**NICHOLAS J. LESSELYOUNG**  
Commissioner

**ARTHUR L. PADRUTT**  
Commissioner

**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, 1954, to June 30, 1956.

The report covers the transactions of the Commission for the 2 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

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*Chairman*

NICHOLAS J. LESSELYOUNG

*Commissioner*

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EDWARD T. KAVENY

*Secretary*

Madison, Wisconsin

December 3, 1956

## I. COMMISSION JURISDICTION

The Wisconsin Railroad Commission was created in 1874, with regulatory power over railroads only. Renamed the Public Service Commission in 1931, the Commission today exercises jurisdiction which has been expanded by the Legislature to cover the rates and service of:

Common carriers of property by water .....	5
Common motor carriers of passengers and property--	335
Contract motor carriers of property .....	10,638
Electric railways .....	4
Electric utilities .....	121
Express companies .....	1
Gas utilities .....	22
Heating utilities .....	5
Sleeping car companies .....	1
Steam railways .....	20
Telegraph companies .....	1
Telephone utilities .....	425
Urban trackless-trolley systems .....	1
Water utilities .....	417

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

The statutes pertinent to all of this jurisdiction abound with such phrases as "charges which are reasonable and just" . . . "reasonably adequate service and facilities" . . . "in the public interest" . . . "if public safety shall so demand" . . . "public convenience and necessity."

These phrases come alive as they are applied to the facts of specific cases which, in turn, reflect economic, social, and industrial factors, themselves active and changing. Economic trends, shift of population and service requirements, and the introduction of new industrial techniques provide a context which gives concrete meaning to "reasonable" or "adequate" or "public convenience and necessity."

## II. THE BIENNIUM IN PERSPECTIVE

## A. New developments

1. *Milk hauling—A new method*

This biennium witnessed the rapid expansion of the comparatively new method of handling milk in bulk in tank trucks from the farm to the primary market. In February of 1952, only one Wisconsin dairy plant had installed a bulk receiving station. It was patronized by 30 farmers whose milk was hauled in tank trucks to the plant. Contrary to the expectation that conversion to bulk hauling would be slow because of farmers' recent investments in can cooling plants and sanitary milk houses meeting Department of Agriculture rules, 1,123 patrons were shipping milk in tank trucks to 57 plants by February of 1955. The pace accelerated:

by September 1955—2,313 patrons	-----	86 plants
by February 1956—3,484 patrons	-----	123 plants
by September 1956—6,097 patrons	-----	145 plants*

While 6,097 patrons constitute only 5.3% of the state's 116,000 dairy producers, the volume of such patrons is disproportionately greater since normally the financial advantages of bulk milk handling accrue to the larger producers.

The effects of this type of transportation are manifold. The diversion of the traffic flow creates conditions seriously affecting the can carriers' ability to render adequate service. Depending on whether or not licenses are amended to permit expanded territory and on whether daily or every-other-day pickups are scheduled, bulk hauling will eventually eliminate approximately two-thirds, or perhaps as high as three-fourths, of the present can haulers. The new method appears to have many advantages, both from a health and from an economic standpoint, which will benefit the public.

The question arose as to whether the service is public contract carriage, as the can hauling is classified, or private contract carriage. The decision that each case must be

\* Statistics in this discussion of bulk milk hauling are taken from a September 1956 report of the Wisconsin Department of Agriculture, Division of Economic Practices.

considered on its respective merits necessitated extensive hearings in many cases which had heretofore been considered pro forma.

In an order granting private contract carrier authority, the Commission stated that it was "not precluding the possibility that circumstances may arise where public contract carriage would be deemed appropriate; but in those instances, if they arise, a complete showing of public convenience and necessity must be made for each town to be served."

Until complete conversion of the operation, the Commission will be faced with many problems involving the closest scrutiny in revising existing and granting new milk hauling authorities.

## *2. Irrigation—A relatively new problem*

In this biennium, a relatively new problem has arisen in administering section 31.14, Statutes, which requires a permit for the diversion of water from streams for irrigation of agricultural crops.

At this time, the major use of such diverted water is by the potato industry located largely in the sandy soil areas of Portage, Waushara, Waupaca, Langlade, and Oneida Counties. Some diversion is from lakes, but most of it is from streams which in these areas are frequently trout streams and as such are highly valued by sportsmen.

Most of the streams are small and few discharge-records indicating the flow, particularly under low water conditions, are now available. With the diversions now contemplated, it becomes necessary to ascertain the discharge characteristics of streams to determine the amount of water which will be available, particularly during the growing season.

Permits for diversion may be granted for irrigating riparian lands if the proposed rate of withdrawal, considering the flow in the stream during irrigating periods, will not injure the public interest. To discover the facts in each instance, it is necessary to conduct routine field checks to determine the minimum flow, and also to make certain that the conditions of the permits, as granted, are being met.

The practice of supplemental irrigation in Wisconsin is in its early stages, but it may be expected that the diversion of water for such uses will increase with the demands of a rapidly growing population for additional food and fibre.

**B. Issues not so new—A follow-up**

*1. Natural gas—Additional supply*

The chronic shortage of natural gas in Wisconsin, which has persisted since 1949 when it was first introduced in the state on a large scale, appears to have been terminated, at least for the immediate future. In the late summer of 1956, an additional supply became available to Michigan-Wisconsin Pipe Line Company from the recently completed 30-inch line of its affiliate, American Louisiana Pipeline Company. This line from the Louisiana Gulf Coast area to Detroit has an initial capacity of 300,000 M c.f. daily, of which about one-third is made available to the Michigan-Wisconsin Pipe Line Company.

As a result of the increased supply, restrictions on the connection of space-heating customers have been lifted, so that such customers can now obtain service upon demand, as soon as service has been offered to all applicants on waiting lists in existence on September 7, 1956. However, existing tariff provisions of the Michigan-Wisconsin Company relating to service to industrial customers using more than 10,000 M c.f. monthly have been retained. The application of this tariff provision and the lack of an interruptible supply of natural gas still combine to retard industrial development requiring large quantities of low-priced natural gas.

*2. Telephone service—Waiting lists*

Prior to this biennium, most telephone companies had eliminated the waiting list for telephone service. However, accelerated post-Korean demand for service, plus the tightness in the supply of certain essential equipment, have resulted in reestablished waiting lists growing longer as the end of the current biennium arrived. Telephones themselves, both standard and in a variety of colors, are gener-

ally available. In most instances, extension telephones or telephones for previously connected premises can be obtained upon demand.

**C. The economic picture**

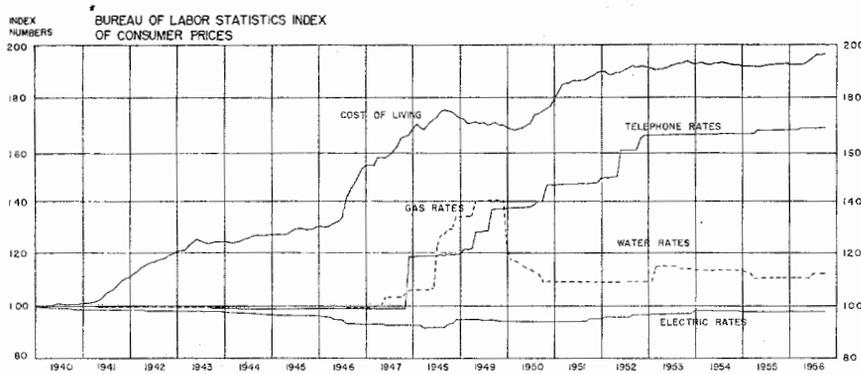
*1. Regulated rates—Utilities*

The general character of any biennium is more easily discerned in perspective, in its relation to previous years and to the total economic-social picture of which it is a part.

INDEX NUMBERS OF PUBLIC UTILITY RATES IN WISCONSIN AND

COST OF LIVING (US)\*

DECEMBER 1939=100



As the graph and table of index numbers illustrate, regulated utility rates remain substantially under the cost of living curve.

	Index Numbers			
	Dec. 1939	Dec. 1952	June 1954	June 1956
Electric rates in Wisconsin	100	96.6	98.1	97.65
Gas rates in Wisconsin	100	109.3	113.7	112.09
Telephone rates in Wisconsin	100	165.18	165.8	168.08
Water rates in Wisconsin	100	116.7	121.8	125.33
Cost of living (U. S.)	100	191.5	193.1	195.00
Food prices (U. S.)	100	242.0	242.1	240.80
Weekly wages in Wisconsin industry	100	281.1	278.9	310.2
Weekly wages in Wisconsin industry (after taxes)	100	253.8	249.5	273.2

Utility rates are designed to yield revenues sufficient to cover the cost of furnishing service and to provide a reasonable return on a proper rate base. An increase in any one of these determining factors can render inadequate a rate previously established as just and reasonable.

## 2. Cost of providing service

### a. Wages—Utilities

While most of the rate increase cases of the biennium have perforce considered rising labor costs (many cases were prompted principally by wage increases), the effect of this item varies with different types of utilities. For example, labor constitutes a much greater proportion of the operating costs of telephone utilities than of those of electric utilities.

### b. Wages—Carriers

Labor costs represent about 60% of the total operating expenses of common carriers of freight (railroads and trucks). Consequently, the effect of wage increases is immediate and important in these industries.

Interstate Commerce Commission statistics depict a steadily mounting railroad wage scale to which must be added increasing fringe benefits. The following table includes, too, index numbers indicating the upward trend of other expenses:

Year	Hourly compensation*	Index numbers 1939 = 100		
		Wage index	Fuel costs index	Supplies and materials index
1939.....	\$ .741	100	100	100
1945.....	.934	126	141.8	129.3
1950.....	1.57	211.9	214.7	198.2
1955.....	1.965	265.2	231.6	249.1

\*Average straight-time compensation per hour for all railroad employees.

The hourly compensation for the first 6 months of 1956 was \$2.11, raising the wage index to 284.8.

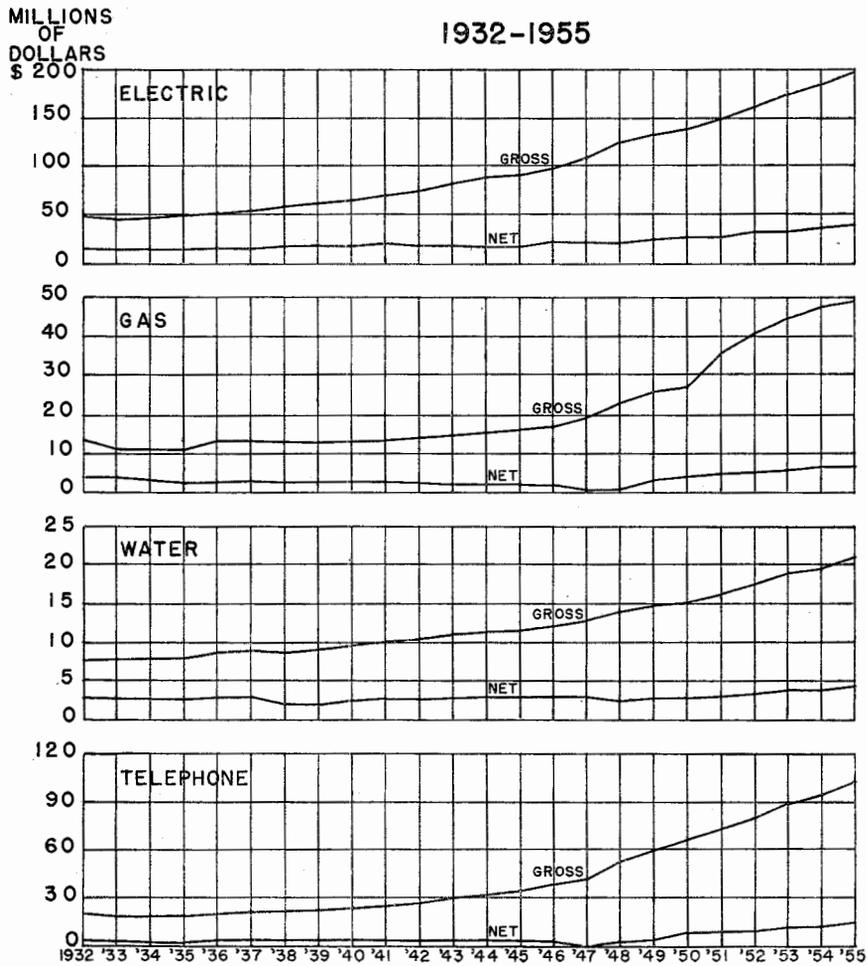
### c. Other costs—Utilities

Increases in the costs of supplies and materials are experienced not only in operating expenses but also in the cost

of constructing new plant which latter is further affected by rising wages.

The graph on this page vividly illustrates the utilities' requirement for more gross income to maintain approximately the same level of net income.

GROSS AND NET OPERATING REVENUES  
PUBLIC UTILITIES OPERATING IN WISCONSIN



In the Spring of 1956 there were signs of an advance in the cost of capital, which had been fairly stable the last few years. The utilities' issuance of approximately \$132,000,000 of securities for new capital in this biennium is \$18,384,611 in excess of the 1952-1954 issuance and \$26,528,162 more than in the 1950-1952 biennium.

### 3. *The rate base—Plant expansion*

The utilities are growing. According to budget estimate reports submitted in accordance with Chapter PSC 162, Wisconsin Administrative Code, the total gross construction expenditure for the two largest telephone companies operating in the state was to be \$29,019,000 in 1955; and for the three largest such companies, \$45,505,000 in 1956.

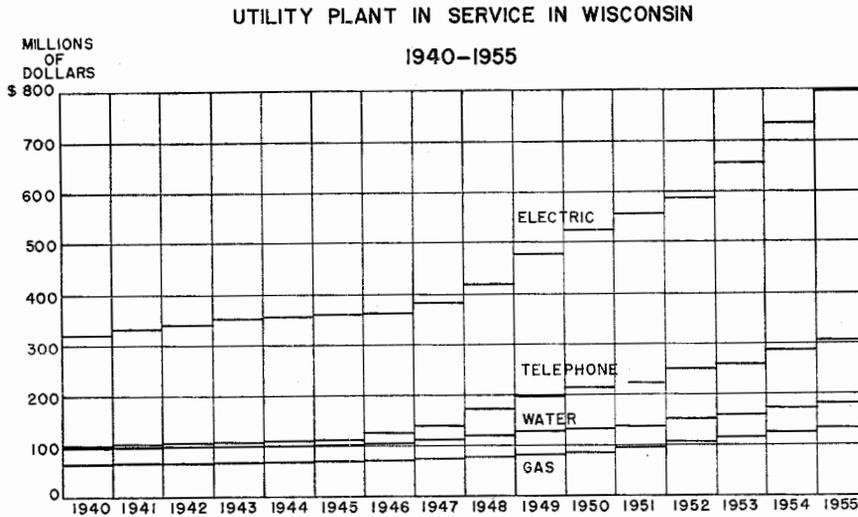
Millions of dollars are invested in utility projects now under way, and still more is planned, witness the certificates issued in this biennium authorizing plant construction, additions, or changes:

No. of certificates		
55	Electric utilities	\$49,017,394
9	Gas utilities	2,684,846
2	Heating utilities	199,495
5	Sewer utilities (new)	658,243
52	Telephone utilities	7,463,347
51	Water utilities	7,601,860
9	Water utilities (new)	1,105,054
	Biennium total	\$68,730,239

The Wisconsin Commission authorizes a stated rate of return (related to the cost of money) on a rate base consisting of original cost of plant in service, minus depreciation reserve, and plus a cash working capital allowance which gives consideration to tax accruals available for current expenditure. Plant additions when, or insofar as, they are completed and placed in service, raise the rate base on which the return requirement is computed. The investment also affects such operating expenses as depreciation and ad valorem taxes.

Expansion of plant is in response to increased or anticipated consumer demand. Orders authorizing construction

frequently contain the finding “. . . will not provide facilities in excess of probable future requirements. . . . The operation of such facilities is in the public interest.”



**D. The service picture**

*1. Increased demand*

*a. Electricity and gas*

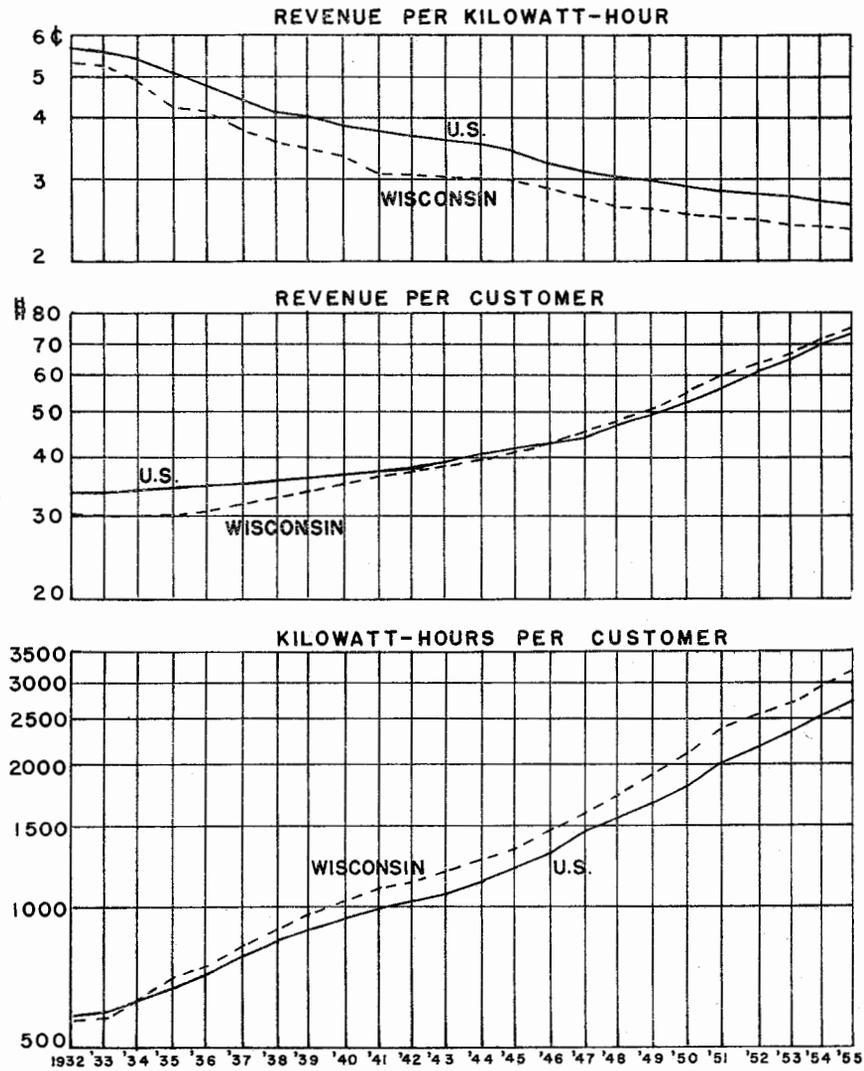
Increased demand for utility services falls largely into three categories: (1) increased use per customer, (2) increase in number of customers, and (3) extension of service into new areas.

The domestic use of utility services has been and is still rising. In the comparatively recent “dark ages,” a room was considered adequately lighted by a (one) fixture suspended from the middle of the ceiling—and such lighting accounted for most of the electric bill. Now it’s the use of lamps, refrigerators, air conditioners, washing machines, driers, stoves, television, home power tools, hot water heaters, and so on and on which is totaled in the gas and electric bill.

ELECTRIC RESIDENTIAL REVENUE and CONSUMPTION RATIOS

WISCONSIN and UNITED STATES, 1932-'55

(Ratio Scale)



The graph on page 14 gives an interesting picture of the use of electricity. Electric utilities operate advantageously under mass production and large-volume conditions. Though consumption has risen dramatically, the revenue for a kilowatt-hour exhibits a downward trend. Electric rates still claim the distinction of being less than in 1939 and, in fact, are lower in this than in the previous biennium.

*b. Water consumption*

Water consumption, too, reflects the modern mode of living. Residential requirements are increased by wider use of such appliances as automatic washers and garbage disposal units and by the expanding suburban communities where lawn-pride calls for regular sprinkling.

The annual use of many millions of gallons of water for air conditioning is a matter for growing concern. A municipality revising its rules pertaining to installation and operation of air-conditioning equipment stated in a subsection entitled "Purpose":

For the reason that the operation of water-cooled refrigeration and other equipment for changing the dry-bulb temperature or the humidity of the air has rapidly increased and now involves the use of water in quantities never before anticipated, thereby placing unexpected burdens on the public water supply system which are detrimental to other classes of water service, it is necessary, in the interest of the public and its water supply system, to regulate the use of water for such purposes and to require the conservation of water and elimination of waste.

Hot-weather peak demands have been such, that several water utilities have filed rules restricting certain types of use in cases of emergency water shortages.

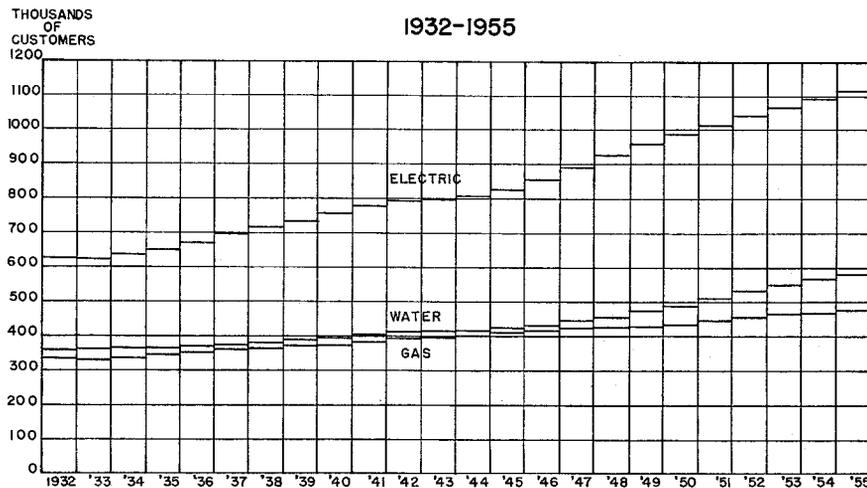
*c. The long trend*

More service for more people—it has been a long, consistent trend, with occasional difficulties as to supply (the natural gas and telephone situations were discussed on pages 8 and 9) or the territory to be served.

The connection of additional customers to already existing water and gas mains or electric and telephone lines is

usually a relatively simple matter ; although when municipal boundaries or questions of annexation are involved, it can precipitate controversy over the extent of the utility's obligation to serve.

### ELECTRIC, WATER, AND GAS CUSTOMERS IN WISCONSIN



## 2. The metropolitan area

Clusters of suburbs surround the growing cities; small communities have more interests in common; and the farmer has closer ties with urban centers. There is a vital need for communication within and between these forming metropolitan areas and new groupings of interdependent population.

### a. Telephone service

In response to increasing demand, there have been important developments in the provision of extended-area service in the Milwaukee, Madison, and Racine territories. Extended-area service is also becoming more prevalent between small communities, especially where toll switching and dial service assistance is furnished at one location for a group of unattended satellite offices.

In the latter part of 1956, direct distance dialing (D.D.D.) will be initiated in Wisconsin, by which a customer making a station-to-station toll call will be able to dial the number of a distant exchange directly without operator assistance. Initially, service in the state will be limited to a few cities in southern and eastern Wisconsin, such as Milwaukee, Madison, Racine, Kenosha, and a number of others, with service also available to Chicago and a number of cities in the Chicago area. As additional equipment becomes available, D.D.D. will be extended to other Wisconsin communities. It is contemplated that ultimately the entire nation will have this service.

*b. Urban passenger service*

Within a sprawling population "center," people to-and-fro between home, friends, school, church, business offices, and shops. An urban passenger transportation system is a convenience and a necessity. In 1955, 172,268,523 passengers used Wisconsin urban and suburban transit vehicles and busses which traveled 45,549,642 vehicle-miles in that year. As isolated figures, they would seem to describe a flourishing operation, but statistics for a 5-year period present the serious decline in riding trend:

Year	Urban service			Suburban service**		
	No. of carriers*	Passengers	Vehicle-miles	No. of carriers*	Passengers	Bus-miles
1950	38	294,348,436	54,568,993	18	3,730,450	2,494,733
1951	41	272,201,092	53,111,105	22	4,137,000	3,310,000
1952	33	231,291,088	51,349,490	30	4,043,000	3,404,000
1953	31	215,133,755	48,973,852	25	3,401,000	2,833,000
1954	30	185,233,428	45,999,855	29	2,896,353	2,842,109
1955	34	169,661,551	42,736,059	29	2,606,972	2,813,583

\*The number of carriers reporting are classified as to the type of transportation which is the principal part of their operation, even though they may have minor amounts of another type of service.

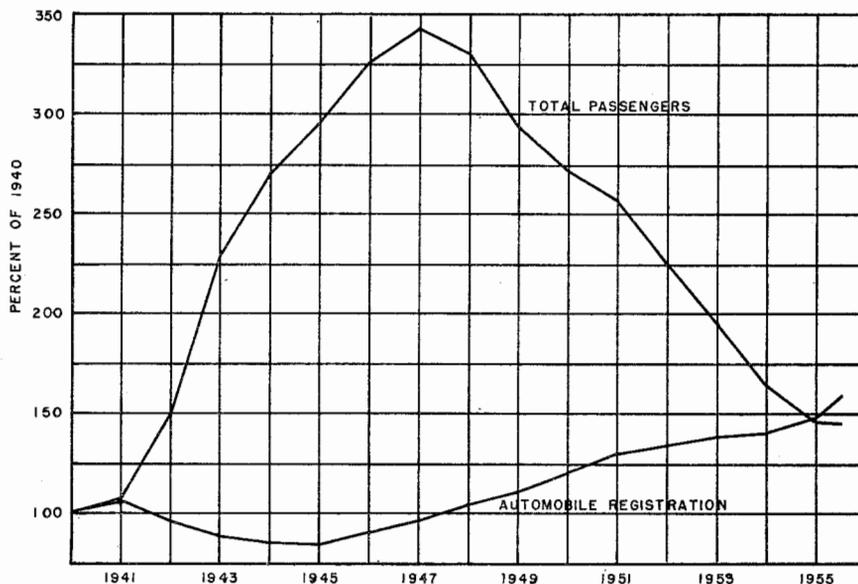
\*\*The suburban group includes the type of service performed for Badger Ordnance plant workers, service for fringe metropolitan areas, and short-haul operations into and between nearby urban areas which cannot well be included in urban or intercity service.

Ideally, as the metropolitan area fans out, bus service should be similarly extended. Also, everybody, theoretically, approves of frequent service. However, "everybody" does not, in practice, use it. Therefore, lightly patronized service

## PUBLIC SERVICE COMMISSION OF WISCONSIN

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

(1940 = 100)



must be curtailed in order to avoid other changes in service or fares which would adversely affect a much larger number of patrons.

Several transit companies were granted temporary emergency fare increases which were later, after more detailed examination of data and further hearing, authorized as permanent.

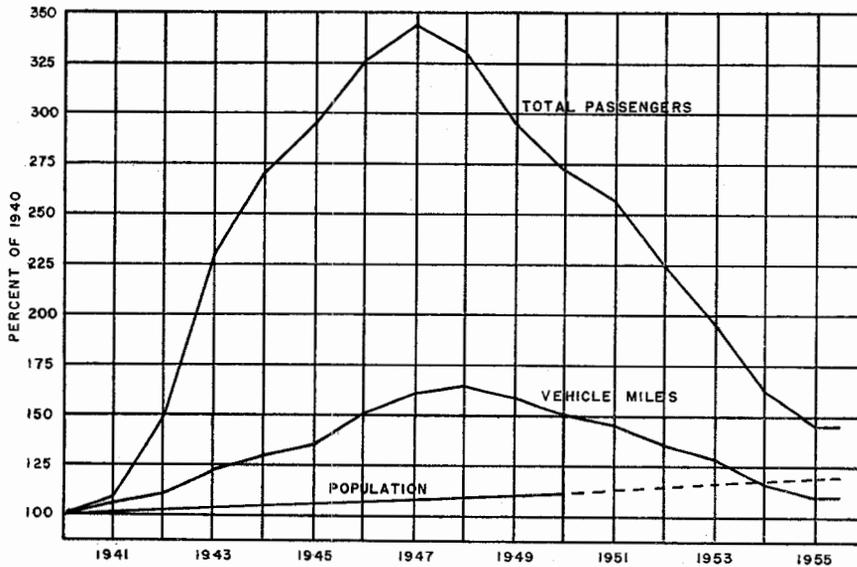
It would be unwise to draw any interpretative conclusion from the fact that 34 urban bus fare orders were issued in the previous biennium while in this biennium, there were only 13 such formal orders and proceedings. Certainly the tax relief granted urban and suburban passenger carriers by Chapter 240, Laws of 1955, has had some salutary effect.

And there have been operating economies (decreased mileage) resulting from less frequent service and route revision. (See statistical table on page 17 and note that suburban bus-miles have steadily increased though the patronage has as steadily decreased.) However, wages and costs of materials continue to rise, and the riding trend to decline.

This passenger transportation dilemma is a complex of many factors, the most obvious of which is the increasing use of the private automobile which, as the graphs on this and the preceding page illustrate, began with the removal of war-time car and gas restrictions.

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 Interstate Commerce Commission's figures below amply demonstrate that the private automobile is the most potent competition of all forms of public passenger transportation with the exception of airways which, though growing, still claim only a negligible portion of the travel.

PERCENTAGE DISTRIBUTION OF INTERCITY PASSENGER MILES BY KIND OF TRANSPORTATION

Year	All railroads	Motor carriers of passengers	Airways	Inland waterways	Private automobiles
1946-----	18.74%	7.23%	1.67%	.66%	71.70%
1947-----	13.30	6.81	1.73	.52	77.64
1948-----	11.62	6.53	1.65	.46	79.74
1949-----	9.38	5.85	1.77	.37	82.63
1950-----	8.11	5.31	2.01	.30	84.27
1951-----	7.86	4.97	3.26	.30	84.51
1952-----	6.24	5.40	2.56	.25	85.55
1953-----	5.3	4.7	2.9	.2	86.9
1954*-----	4.7	4.1	3.1	.3	87.8

\*Preliminary estimations.

### 3. *Railroad service*

#### a. *Passenger traffic*

The railroad's loss of passenger patronage is particularly severe.

In an order confirming its authorization of the discontinuance of certain passenger trains between Manitowoc and Merrilan, the Commission said:

. . . There is no argument with the thesis that the public rightly desires to have suitable types of public transportation facilities available to them for such occasions as there is desire to use them.

However, the fact must be faced that a service must be adequately used if it is to be economically possible for that service to be continued. The Interstate Commerce Commission has repeatedly warned the railroad companies that it is requisite that some action be taken to decrease the huge passenger deficit problem. The transportation of property is not free of competition; and in order to retain a competitive position in the freight field, it becomes increasingly important to eliminate unduly burdensome passenger train deficits.

\* \* \* \* \*

This Commission is very reluctant to authorize the discontinuance of passenger train or other public service. But when the public has for all practical purposes discontinued the use of a service, it is not feasible or possible to order the continuance of that service. . . .

*b. Railroad freight*

The national volume of freight has been rising, but the railroad's share of that total has dropped from 68.63% in 1944 to 49.4%, according to ICC preliminary statistics:

UNITED STATES TOTAL INTERCITY TON-MILES AND DISTRIBUTION BY TRANSPORT AGENCY

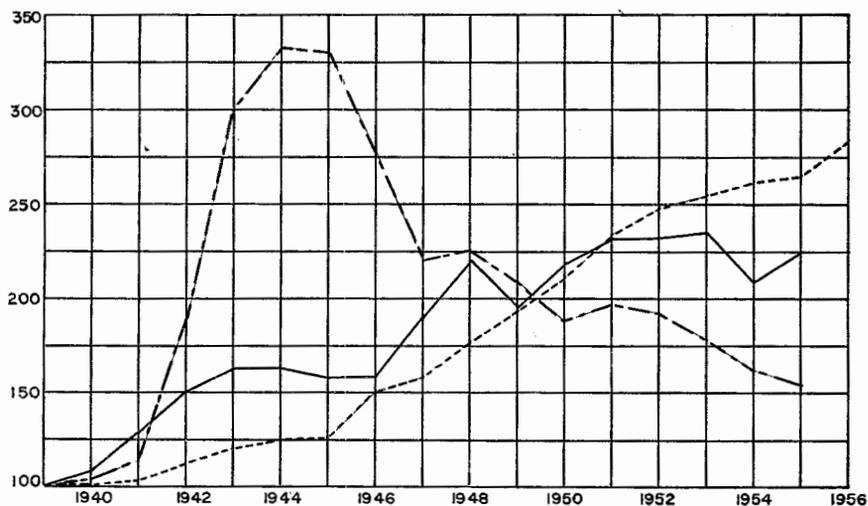
Total intercity ton-miles in billions	1939	1944	1949	1954	1955*
	543.5	1,088.3	915.9	1,124.5	1,277.8
Railroads.....	62.34%	68.63%	58.38%	49.50%	49.4%
Motor carriers.....	9.72	5.35	13.83	19.09	17.7
Waterways.....	17.71	13.80	15.22	15.45	16.9
Pipelines.....	10.23	12.21	12.55	15.94	15.9
Airways.....	0.002	0.007	0.026	0.035	0.04

\*Preliminary statistics.

RAILROAD TRENDS

- AVERAGE STRAIGHT TIME COMPENSATION PER HOUR OF RAILROAD EMPLOYEES
- FREIGHT REVENUE EARNED WITHIN WISCONSIN BY CLASS I RAILROADS
- - - PASSENGER REVENUE EARNED WITHIN WISCONSIN BY CLASS I RAILROADS

1939 = 100



While the railroad's gross freight revenues have risen during this biennium, so, too, have expenses, particularly wages. For a discussion of proceedings relating to freight rates, see page 42.

When the railroad desires, as an economy measure, to substitute caretaker for agency service or to discontinue service at small stations where traffic is negligible, the Commission must study and balance (1) the burden imposed on the carrier if the service is retained and (2) the inconvenience and hardship to the public if the service is discontinued.

III. ELECTRIC UTILITIES

A. Supply and efficiency progress

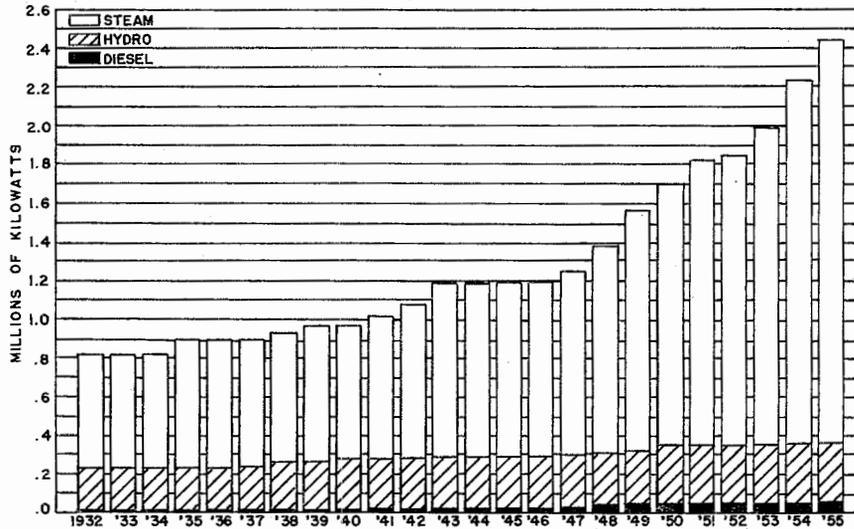
1. Plant expansion

Of the biennium's 12 certificates authorizing electric power generating facilities, the largest was for Wisconsin Electric Power Company's Oak Creek 120,000-kw.-capacity installation. Estimated cost: \$19,500,000. The 12 authorizations anticipate additional power as follows:

Steam units .....	189,000 kw.
Hydro units (60 kw. capacity completed) .....	6,710 kw.
Diesel units (2,796 kw. capacity completed) .....	4,196 kw.

ELECTRIC GENERATING CAPACITY OF UTILITY PLANTS IN WISCONSIN

1932-1955



Also completed this biennium, though certificated in a previous period:

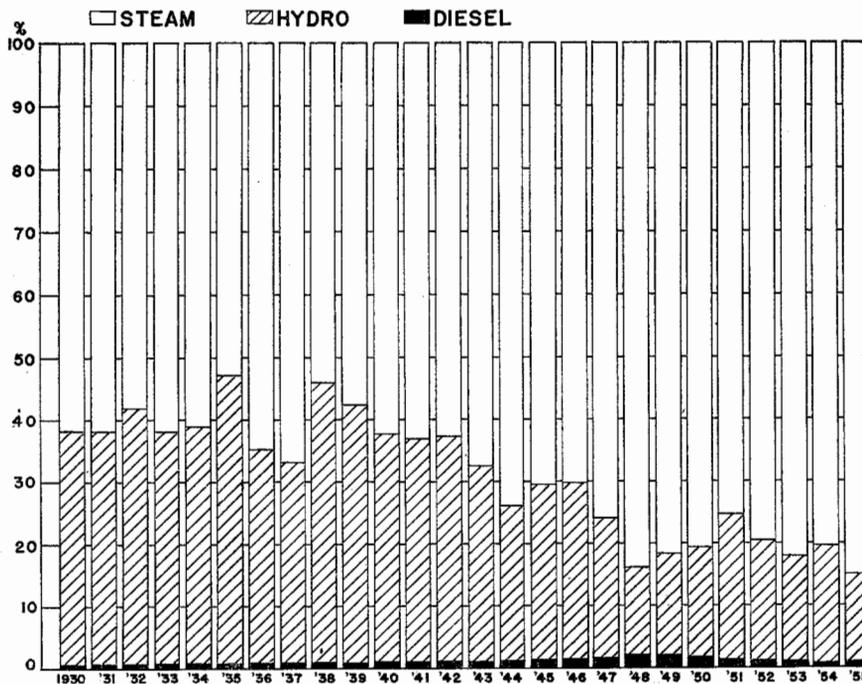
Steam facilities .....	367,500 kw.
Hydro facilities .....	200 kw.
Diesel facilities .....	5,640 kw.

The 55 decisions involving plant additions and improvement projects (including numerous transmission lines) dealt with cost estimates totaling \$49,017,394.

*2. Interconnections*

Upon the completion of six electric power interconnections in this biennium, substantially all (96.2%) of the state's generating capacity is now interconnected (93% if cooperatives' capacity is considered). Further work of this type will improve the flow of energy between already interconnected companies or provide for interchange at more strategic points or, in some cases, probably connect isolated self-contained utilities with larger systems to provide increased capacity and reliability of service.

KILOWATT HOURS GENERATED BY UTILITIES IN WISCONSIN  
PERCENTAGE DISTRIBUTION BY TYPE OF GENERATION  
1930-1955



**B. Increasing demand**

Plant expansion is a response to a continuing upward trend in the use of electricity shown by the following table:

KILOWATT-HOURS SOLD TO RESIDENTIAL, COMMERCIAL AND INDUSTRIAL, AND RURAL CUSTOMERS  
(000 omitted)

Year	Residential	Commercial and industrial	Rural
1946	968,392	2,680,641	218,899
1947	1,089,572	3,013,288	268,367
1948	1,248,098	3,264,588	325,893
1949	1,404,879	3,181,403	379,725
1950	1,602,908	3,591,581	428,858
1951	1,822,712	4,052,755	482,306
1952	2,008,576	4,212,268	531,650
1953	2,196,636	4,535,451	587,829
1954	2,398,369	4,604,054	640,988
1955	2,643,589	5,088,987	687,582

While electric space-heating has not developed to any great extent, interest and queries as to this type of service have led several utilities to file a schedule of rates applicable to such heating method.

**C. Electric cooperatives**

Chapter 432, Laws of 1955, gives the Public Service Commission, for the first time, a limited degree of supervision and control over electric cooperatives. Section 196.495, Statutes, created by this Chapter, is intended to prevent duplication of electric service by public utilities or cooperative associations. Service cannot be extended to a person already receiving service from another utility unless the other utility or cooperative consents thereto in writing or unless the Commission determines that the service being rendered is inadequate or the charges unreasonable and that said service or rate is unlikely to be corrected.

## IV. GAS UTILITIES AND NATURAL GAS

## A. Additional supply

Gas utilities have continued to expand, especially with the release of additional quantities of natural gas. Nine major gas plant additions and improvement projects were authorized during the biennium at a total estimated cost of \$2,684,846.

The Wisconsin Commission was gravely concerned with the high cost of the additional gas supply made available in the late summer of 1956. It nevertheless urged the Federal Power Commission to act promptly in insuring this much-needed supply for Wisconsin. The supply, coming from the American Louisiana Pipeline Company to its affiliate, Michigan-Wisconsin Pipe Line Company, permits the number of space-heating customers which the eight affected Wisconsin utilities estimated would connect to their systems by January 1, 1958.

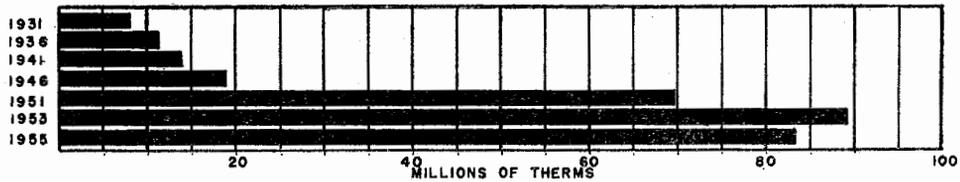
## B. Price—Regulation of wholesale rate

Rates paid to the pipeline for natural gas have continued to increase, and further increases are in prospect. In November 1954, the Federal Power Commission established a city gate rate of 31.6 cents per M c.f. for Michigan-Wisconsin. In April 1955, this rate was advanced, under bond, to 32.98 cents per M c.f. The company has an application pending to increase the rate to 35.75 cents per M c.f. This rate is now under suspension but will probably go into effect, under bond, on November 15, 1956. This Commission is participating in Michigan-Wisconsin Company's rate cases before the Federal Power Commission, seeking to obtain the lowest reasonable rates possible for the distributing utilities in the state.

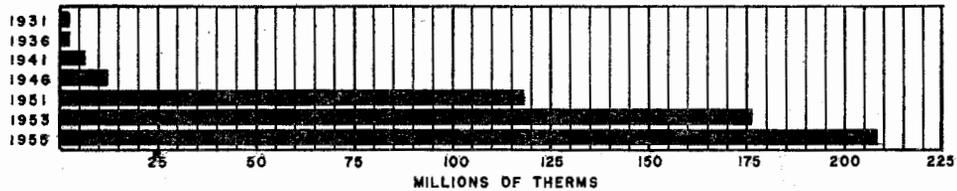
During the biennium, the Wisconsin Commission also took an active part in opposing legislation which would free independent producers of natural gas from regulation of prices by the FPC. Such regulation was previously affirmed

# WISCONSIN GAS UTILITIES

## INDUSTRIAL USE



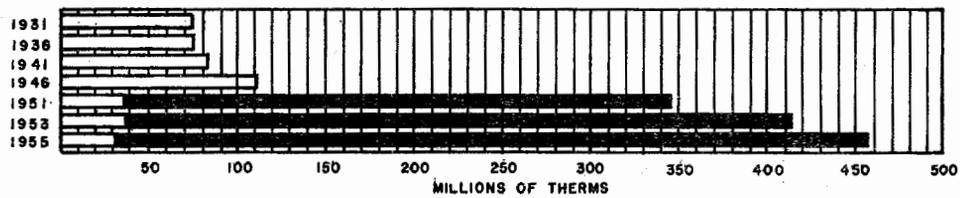
## SPACE HEATING USE



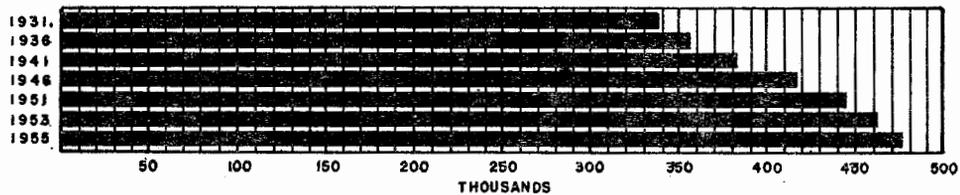
## TOTAL STATE REQUIREMENTS

MFGD.  
 NAT.

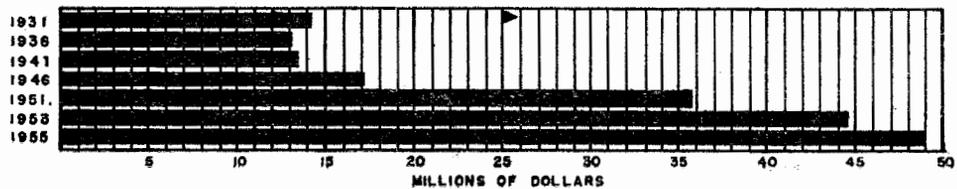
MANUFACTURED & NATURAL



## TOTAL NUMBER OF CUSTOMERS



## OPERATING REVENUES



by the United States Supreme Court in the Phillips case in which this Commission took a principal part. Testimony in opposition to the Harris-Fulbright bills was presented by the Commission before both houses of Congress. Congress passed the bill, but it was vetoed by the President so that the regulation confirmed in the Phillips case is still applicable. The Commission is appearing in several cases in which the price paid to producers is at issue, the most important of which is the Phillips case now before the Federal Power Commission.

#### C. Second source of gas

Since the last biennial report, there have been some encouraging developments looking toward a major second source of natural gas for Wisconsin. In October 1955, Midwestern Gas Transmission Company, an affiliate of Tennessee Gas Transmission Company, filed an application with the FPC, seeking to extend a major pipeline from Portland, Tennessee, through Wisconsin to Emerson, Manitoba, Canada. The Midwestern company proposed to connect, at Emerson, with the facilities of the Trans-Canada Pipe Lines Limited and obtain a daily supply of 200,000 M c.f. of natural gas produced in the flush gas fields of Alberta. In addition to offering to sell gas to the existing natural gas companies in or near the state (Michigan-Wisconsin Pipe Line Company, Northern Natural Gas Company, and Natural Gas Pipe Line Company of America in the Chicago area), the Midwestern company proposed service to the Baraboo and Portage areas; the Wisconsin Valley area; the Marinette area; the La Crosse, Eau Claire, Chippewa Falls, Menomonie, and Hudson areas; and the Duluth-Superior area in Wisconsin.

Midwestern's application to serve in the Illinois, Wisconsin, and Minnesota territory has been one of the most bitterly contested in the annals of the Federal Power Commission. Following the filing of the application, both Michigan-Wisconsin Pipe Line Company and Northern Natural Gas Company filed applications to serve new areas in Wisconsin. The Wisconsin Commission, which had previously sought to interest these and other pipeline companies in

serving central and western Wisconsin, has taken the stand that it desires a second major source of natural gas for the state. It feels the Midwestern application may be the last available opportunity to secure the benefits of a second supply source, and is therefore making every effort, in the face of concerted opposition from neighboring pipelines, to expedite the hearings on Midwestern's application to the Federal Commission.

## V. TELEPHONE UTILITIES

## A. Construction program

It is estimated that the telephone plant construction program for the July 1, 1954–December 31, 1956, period will involve an investment by Wisconsin companies of around \$82,000,000. This projected investment includes major expenditures for the expansion of dial service and the introduction of direct distance dialing, and the general improvement of service.

Largely because of the capital requirement associated with expansion and rehabilitation, the number of small telephone companies has declined at an accelerated rate. The service obligations of 70 small utilities and switching companies were assumed by the larger utilities purchasing or absorbing them.

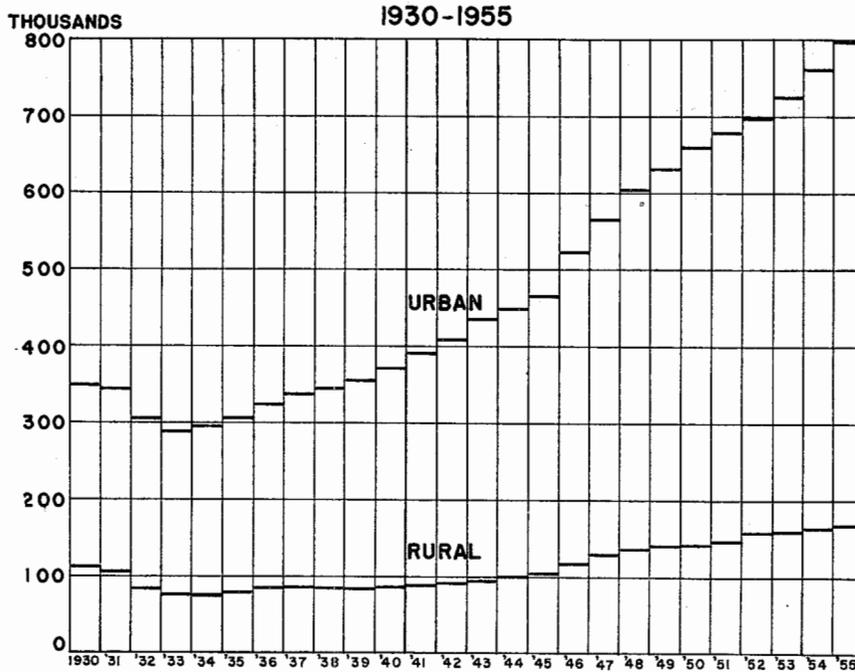
## B. Trends in service

A population shift may be felt in a demand for more service and that of a higher grade. An influx of persons from surrounding cities changes a formerly rural area to one exhibiting a suburban-type economy and desiring service proper to such a zone.

Extended-area service is the most popular method of meeting the requirements of an expanding "community of interest." As was observed in a recent Commission order, "Unlimited interexchange service without toll charge which originated with the beginning of telephone service, is gradually disappearing, being replaced by toll rates or extended-area service depending on whether or not there is a community of interest between adjacent exchanges. . . . When a definite community of interest has been established, the exchange rates have been increased to include the cost of rendering extended-area service. The conversion of many exchanges to dial, the ever increasing costs of service, and the need for good toll circuits free of so-called "visiting messages" have speeded up the demise of the free-toll circuits."

A relatively new innovation in Wisconsin is the limited offering of four-party rural service at certain Bell exchanges in the state. The rates and offering have been accepted by the Commission on an experimental basis, awaiting results of the degree of customer acceptance of the service.

**URBAN and RURAL MAIN TELEPHONES in WISCONSIN**



As a result of cooperative effort by the Bell System and the Independent Telephone Industry, new connecting company contracts between Bell and the Independents have been offered which, in most cases, increase the compensation paid to the Independent companies for originating, hauling, and switching toll traffic.

**C. Long-distance calls—Allocations to intrastate messages**

Early in 1956, the Federal Communications Commission finally agreed to accept a modification of the separations manual which will be of considerable benefit to the several state commissions. Known as the "Modified Phoenix Plan," it provides a different method of allocating telephone toll line facilities between state and interstate service.

H. J. O'Leary, Chief of the Rates and Research Department of the Wisconsin Commission, is chairman of the Separations and Toll Rate Committee of the National Association of Railroad and Utilities Commissioners which is preparing a new manual to further aid the states in the allocation of jointly used property and expenses. The manual, expected to be finished within the next 2 years, will incorporate previously approved changes and conform to current operating conditions and regulatory requirements.

## VI. WATER AND SEWER UTILITIES

### A. Greater demand—More plant

More authorizations relating to the construction of facilities and plant were issued to water utilities than to any other type of utility. Of 60 certificates, 9 authorized new waterworks systems estimated to cost \$1,105,054.

The urgent requirement of further supply to meet the rise in water consumption is chiefly responsible for the approximately \$7,601,860 value of plant encompassed by the other 51 authorizations.

After delays due to litigation, construction of the Green Bay project to establish a water supply from Lake Michigan, authorized November 2, 1953, at an estimated cost of \$5,700,000, was begun in February of 1955, and is now about two-thirds completed. The completion date is dependent on the delivery of large quantities of materials, but, unless long delays are encountered, the plant should be in service during the last half of 1957.

### B. Obligation to serve

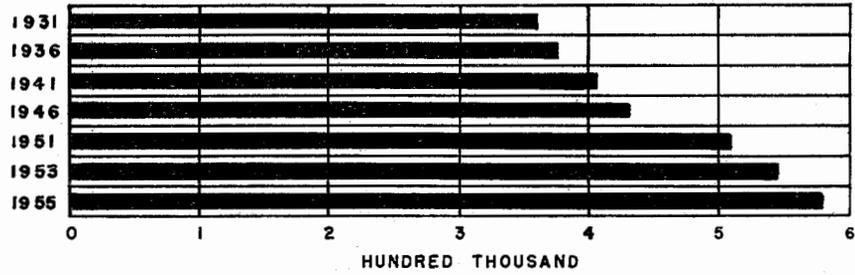
The area in which a utility has an obligation to serve is a recurrent question arising from requests for service beyond city limits. The Commission said in docket 2-U-4427 that "a city council could not limit the scope of service . . . or reduce the obligation to serve in an area in which the municipal utility already has an obligation of service because 'no public utility shall abandon or discontinue any line, branch line, or extension of service therein without first securing approval of the Commission' (section 196.81, Statutes)."

### C. Standby charges

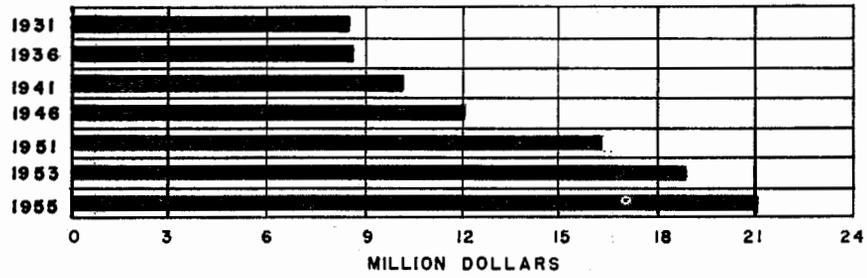
Under Chapter 427, Laws of 1955, sewer utilities, five of which were organized in this biennium, and water utilities may now establish standby charges applicable to property not connected to the utility system, but for which facilities are available.

# WISCONSIN WATER UTILITIES

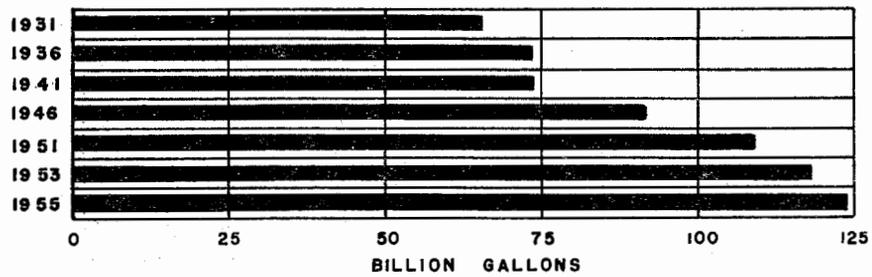
## CUSTOMERS



## OPERATING REVENUE



## WATER PUMPED



## VII. UTILITY FINANCE AND ACCOUNTING

## A. Security regulation

## 1. Securities issued

Under the provisions of Chapter 184 of the Statutes, the Commission is charged with the duty of regulating the issuance of securities by privately owned public-service corporations. In assuring reasonable protection to the purchasers of securities to be issued, 75 applications were considered during the biennium, and authorizations granted for the issuance of a total of \$151,695,016 par value of securities for which the applicants paid the statutory fee of \$1 per \$1,000 of said securities. These fees were paid into the state's general fund.

A comparison of the amount of securities authorized this biennium with those in the two preceding periods, together with the purposes for which the securities were authorized, is shown in the following table:

Type of security	1950 to 1952	1952 to 1954	1954 to 1956
Common stock.....	\$ 25,315,385	\$ 63,991,365	\$ 52,585,158
Preferred stock.....	3,675,000	8,000,000	4,350,000
Bonds.....	55,425,000	45,375,000	81,255,000
Other form of debt securities.....	21,254,200	8,302,500	13,504,858
Total.....	\$105,669,585	\$125,668,865	\$151,695,016

Purpose of issue	1950 to 1952	1952 to 1954	1954 to 1956
New capital.....	\$ 83,688,581	\$113,813,136	\$182,197,747
Refunding of outstanding securities.....	19,412,700	95,629	16,965,815
Merger or acquisition of properties.....	4,350	10,207,000	133,800
Stock dividends.....	2,538,754	1,553,100	2,297,654
Validation of void securities.....	25,200		100,000
Total.....	\$105,669,585	\$125,668,865	\$151,695,016

The issuance of approximately \$132,000,000 of securities for new capital during the period July 1, 1954, to June 30, 1956, can be closely related to the additions to utility plant necessary to serve the public. During the 2 calendar years 1954 and 1955, Class A privately owned electric, gas, water, and telephone utilities increased their utility plant by about \$183,500,000. At the same time, accruals for depreciation

reserves increased by \$37,500,000, making an increase in depreciated plant of \$146,000,000. Considering the 6 months' differential in the time of computing the property additions and the security issues and also the fact that utilities frequently finance current additions to plant from short-term bank loans before issuing long-term securities, it is seen that the net increase of \$146,000,000 in plant bears a close relationship to the \$132,000,000 of securities issued to produce that capital.

## 2. Security ratios

Common stock equities have improved during the calendar years 1954 and 1955. There was an increase of \$49,581,290 par value of that type of security, and the total common stock equity (including premiums received on stock plus surplus) shows an increase of \$80,410,094. Preferred stock increased only \$3,769,400 and debt securities, \$39,366,895, resulting in a total increase in capitalization of \$123,546,389.

The ratio of various classes of securities to the total capitalization shows a gradual improvement, as reflected in the following table:

	As of Dec. 31, 1953		As of Dec. 31, 1955	
	Amount	Ratio	Amount	Ratio
Common stock.....	\$322,919,068	39.3%	\$372,500,358	39.4%
Premium on capital stock.....	23,784,538	2.9	37,495,737	3.9
Capital surplus.....	8,821,406	1.1	8,540,864	.9
Earned surplus.....	64,641,663	7.8	82,039,710	8.7
Total common stock equity.....	\$420,166,675	51.1%	\$500,576,769	52.9%
Preferred stock.....	75,964,500	9.3	79,733,900	8.4
Bonds and other debt securities.....	325,810,724	39.6	365,177,619	38.7
Total capitalization.....	\$821,941,899	100.0%	\$945,488,238	100.0%

In prior reports, the Commission has commented on its efforts to encourage common stock equity financing as a means of improving the security structures of electric, gas, water, and telephone public-service corporations. The effect of this effort may be seen in the table shown on this page. No such corporation has gone into receivership, and there has been no default in connection with those securities.

**B. Accounting regulation**

In the performance of its duties 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. During this biennium, the work of determining and certifying annual depreciation rates for the 125 Classes A and B public utilities in the state was practically completed. In addition, the accounting 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, investigation of financial practices, attendance at hearings and conferences, and presentations of evidence. 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.

## VIII. MOTOR CARRIERS

## A. Common motor carriers of passengers

Passenger use of intercity busses, like the urban bus and railroad patronage discussed on pages 17-20, continues to decrease. As the following table indicates, the Wisconsin portion of the traffic follows the general pattern of companies' total business which includes interstate volume:

Year	No. of carriers	Intercity bus-miles		Intercity revenue passenger-miles	
		System	Wisconsin	System	Wisconsin
1950	38	42,528,759	18,326,658	729,837,618	269,390,519
1951	32	42,111,956	18,073,237	729,922,756	268,266,668
1952	29	38,206,257	15,885,086	674,134,360	249,552,315
1953	30	36,456,908	14,651,924	619,190,026	223,923,683
1954	26	35,352,326	13,993,118	590,611,214	210,378,506
1955	24	34,662,962	13,434,507	592,742,000	202,694,000

In view of higher operating costs, the Northland Greyhound Lines, Inc\*, and certain other intercity common motor carriers of passengers, were authorized, during this biennium, to establish increased fares, based on a graduated scale of basic rates declining as the distance increases.

This pattern, as the Commission stated in its May 15, 1956, order relating to Greyhound Lines, "... is justified in principle by costs. It receives further justification in the practical consideration that a general level of rates higher than former levels is necessary to furnish the carrier with additional funds required to provide adequate service, and that for competitive reasons, increases of the larger-haul rates would be ineffective for that purpose."

In lieu of Greyhound's former uniform fare level of 2.52 cents a passenger-mile, an interlocutory order of January 23, 1956, and the final order in May authorized one-way adult fares based on:

3¢	a mile for trips of 50 miles or less
2.5¢	for each additional mile over 50 through 100
2.2¢	for each additional mile over 100 through 150
2.05¢	for each additional mile over 150 through 210
2.42¢	a mile uniform rate for trips over 210 miles

\* Now known as The Greyhound Corporation (Northland Greyhound Lines Division).

**B. Transportation of Freight, Common and Contract Carriers***1. Lease and interchange rules*

Effective February 1, 1955, the Commission's rules in Chapter PSC 60, Wisconsin Administrative Code, require that every vehicle used in for-hire service, and leased in such service by an authorized carrier, must have a lease negotiated and signed showing the lessee as the responsible party, the time and place the lease begins and ends, identification of the equipment involved, and such other information as would establish the validity of the lease. The rules are intended to facilitate proper enforcement and administration of the for-hire provisions of the Statutes and to deter the leasing of authorities under the guise of leasing equipment.

Under the provision that a copy of the lease must be mailed to the Commission within 24 hours of the date it is entered into, about 370 carriers have filed approximately 4,300 leases, in addition to the substantial number of filed master leases, with the vehicles operating thereunder being reported monthly.

These rules have been helpful to the State Traffic Patrol in enforcing provisions of Chapter 194 (Motor Vehicle Transportation Act) as well as assisting the Commission in correcting certain evils in the brokering and trafficking in authorities.

*2. The state traffic patrol*

The State Traffic Patrol and this Commission cooperate in administering and enforcing Chapter 194, Statutes. The Patrol's previous complement of 70 men is to be increased by 90 men in 1955 and again in 1956, according to Chapter 397, Laws of 1955. The Motor Carrier Section of the Public Service Commission has felt the impact of this expansion through the resulting increase in applications for motor carrier authority, in analyses of inspection reports, and in inquiries by the officers.

The Motor Carrier Section customarily checks all inspections by the traffic officers with regard to authorities, rates,

and service, and maintains records, in the carrier's file, of court actions and violations.

The work load is aggravated not only by the direct actions of the Patrol but also by the salutary effect of the publicity on the carriers, encouraging them to scrutinize their operations and examine their operating authorities.

There is also a heavier work load associated with the administration of Chapter PSC 50, Wisconsin Administrative Code, relating to the use of highways by trucks during the summer months, though the number of special permits issued thereunder remained fairly constant.

### *3. Wisconsin Administrative Code*

During this biennium the Commission assembled from its outstanding orders, various rate and tariff rules applicable to intrastate motor carrier operations. These were adopted as Chapter PSC 16. Rules pertaining to the collection of filing fees with motor carrier applications were incorporated in Chapter PSC 15.

#### **C. Common motor carriers of property**

##### *1. Rates and charges*

With freight traffic reflecting the rising indexes of economic activity, the common motor carriers' reports filed with this Commission indicate that the number of tons transported in the first quarter of 1955 was about 10% more than the traffic handled in the similar quarter of 1954. Nevertheless, the rise in operational costs was such that a 5% rate increase was necessary to provide an adequate return on the traffic. These rates, as was pointed out in the June 1, 1955, order in docket MC-1523, offset only the initial provisions of the 3-year wage contract providing for hourly wage increases each year.

##### *2. C.O.D. monies*

The Commission reopened its docket relating to the collecting and remitting of C.O.D. monies by common motor carriers. Certain changes in Chapter PSC 25, Wisconsin

Administrative Code, were deemed desirable to protect the shippers and connecting-line carriers in order to guarantee that such funds were not converted to carrier use. Several hearings have been held and the feasibility of establishing trust funds or bonding arrangements is under review. It is expected that this matter will be decided shortly.

### *3. Deadheading*

Effective November 15, 1955, section PSC 69.25 permits certificated common motor carriers to "use any state or federal trunk highway the use of which is not otherwise restricted, for the purpose of deadheading empty equipment."

#### **D. Contract carriers**

The transportation of milk in bulk in tank trucks, an important development in contract carriage, is discussed on pages 6-7 of this Report.

## IX. RAILROADS

## A. Railroad freight rates

The Commission's last biennial report outlined the temporary general increase of a 15% surcharge authorized in 1952 on both intrastate and interstate traffic, which carried an expiration date of December 31, 1955. During the biennium, following hearing and investigation by both the Interstate Commerce Commission and this Commission, the expiration date was eliminated and the surcharge, subject to certain exceptions, was authorized to be incorporated in the freight rate structure, effective intrastate, on December 27, 1955.

The continuing upward trend in wages and other operating costs resulted in a further 6% increase in freight rates and charges, effective March 7, 1956, on both inter- and intrastate traffic. A Commission order of April 26, 1956, slightly modified these intrastate increases as they applied to intra- and interterminal switching and disallowed any increase on the rate for the transportation of sugar beets.

On July 19, 1955, the Commission suspended; and on April 6, 1956, ordered cancellation of increased rates on bituminous coal from Lake Michigan and Lake Superior docks to points in the Fox River and Wisconsin River valleys. Such rates would have restored the level of rates in effect prior to voluntary reductions made by the railroad to meet competition, but which failed to produce an over-all revenue increase.

The Commission has since instituted the investigation mentioned in the April 1956 order wherein it recognized the possible necessity of revising the present coal rate structure because of economic and competitive changes since the rate structure was originally prescribed, and because the various general freight rate increases had distorted the 1939 scale of rates prescribed in docket 2-R-633 by increasing the short-haul rates to a greater extent than those applicable to longer distances.

**B. Freight operations**

Economy measures, so desirable to partially offset climbing expenses, concentrate on improving efficiency and on curtailing service at small unprofitable stations. Below is a tabulation of the action taken and orders in proceedings dealing with such service:

	Involving agency services				Involving services other than agency	
	Individual applications		Joint applications railroad and express		Granted	Denied
	Granted	Denied	Granted	Denied		
Railroads.....	9	5	9	1	16	1
Railway express.....	8	2	2	8	2	0

Though, of course, freight train miles are somewhat influenced by the volume of freight, mileage reduction in recent years is due largely to dieselization enabling longer trains and greater flexibility in both yard and way freight operations. During the biennium, all of the Class I railroads operating in the state approximated complete dieselization.

Freight—Train-miles Operated in Wisconsin  
by Class I Railroads

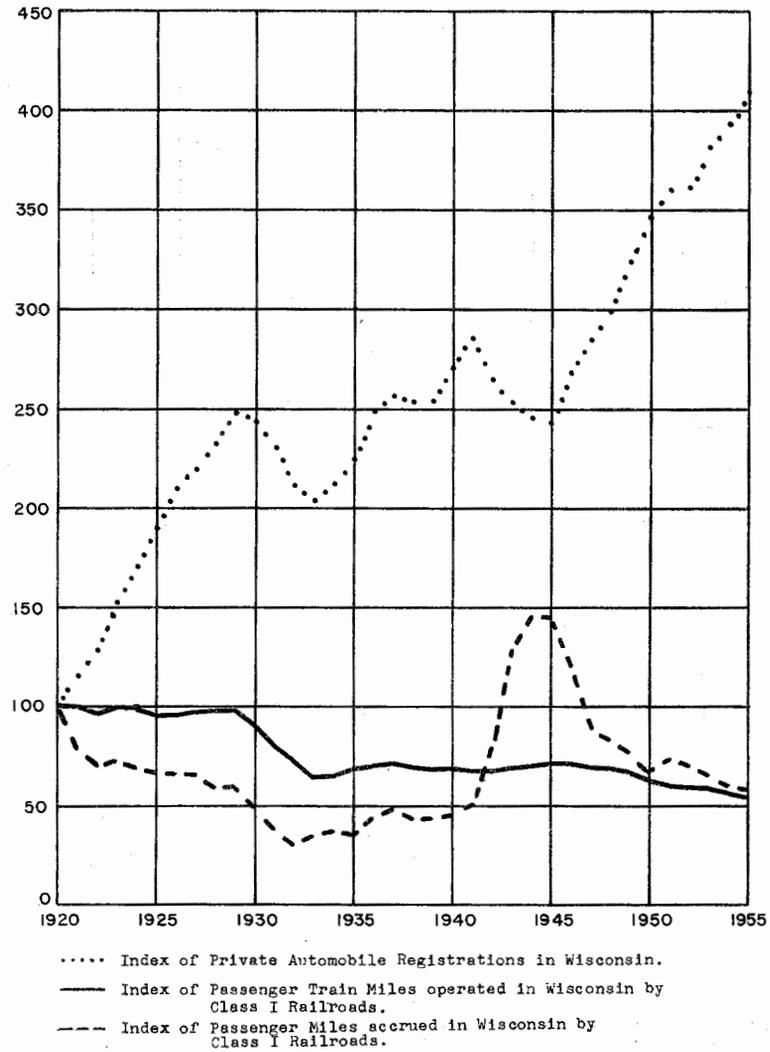
Year	Train-miles in thousands
1950 .....	9,981
1951 .....	10,489
1952 .....	9,660
1953 .....	9,071
1954 .....	8,504
1955 .....	8,755

The so-called pig-a-back service in which loaded motor trailers are transported on railroad flat cars between certain stations, is becoming more widespread.

**C. Passenger service**

The number of passengers in Wisconsin (rides originating, terminating, or passing through Wisconsin) fell from 5,575,000 in 1950 to 4,753,000 in 1955. The decline in passenger train-miles operated in the state (8,908 in 1950; in 1955, 7,665) represents service discontinued for lack of patronage.

## TRAVEL BY TRAIN AND PASSENGER CAR



Summarized, the biennium's formal proceedings which dealt with such discontinuance are as follows:

Chicago and North Western Railway Company:

Authorization to discontinue trains 108 and 109 between Manitowoc and Merrillan affirmed after rehearing. Railway's loss is disproportionate to the inconvenience that will result from patrons' use of other transportation. 2-R-2682—October 4, 1954.

Application to discontinue trains 149 and 210 between Green Bay and Milwaukee, denied. Railroad did not present testimony as to revenues or passenger use to show that trains are unnecessary or a financial burden to the company. 2-R-2833—March 11, 1955.

Authorized to discontinue trains 121 and 224 between Green Bay and Marinette, provided train 162 schedules flag stops at Big Suamico, Little Suamico, and Pensaukee which would otherwise be without railway passenger and allied service. The discontinued trains are not necessary, as indicated by their use and by the remaining alternative service. 2-R-2887—May 23, 1956.

Chicago, Milwaukee, St. Paul and Pacific Railroad Company:

Authorized to discontinue Madison-Milwaukee trains 33 and 14. Public need of these trains, as evidenced by their limited use, is outweighed by the out-of-pocket loss incurred in their operation. There is a variety of alternative service available. 2-R-2863—February 14, 1955.

Authorized discontinuance of passenger service on mixed freight-and-passenger trains 32 and 33 between Madison and Prairie du Chien. The removal of passenger service obligation will permit way freight operations resulting in annual savings to the railroad of about \$60,000. Discontinuance of poorly patronized passenger service is in public interest even though direct loss attributable to said service would not, by itself, justify said discontinuance. 2-R-3019—March 5, 1956.

Authorizes discontinuance of trains 202 and 203 north of Wausau. In a 1952 order denying a similar application, the New Lisbon-Woodruff operation was at a \$2,683 loss during winter months and at a profit during the 5 summer months. Using the same type of data, this same operation is shown in this proceeding to involve an annual out-of-pocket loss of \$90,000. 2-R-2985—March 6, 1956.

Duluth, South Shore and Atlantic Railroad Company:

Authorized to discontinue trains 7 and 8 between Superior and Wisconsin-Michigan State line east of Saxon. Even under triweekly operation authorized June 7, 1954, the financial loss to the railroad is greatly disproportionate to the public need for the service. 2-R-2686—May 26, 1955.

**D. Telegraph message rate**

To offset certain wage increases, the Western Union Telegraph Company, defined as a railroad under Wisconsin Statutes, increased intrastate message rates and charges approximately 18%, effective September 8, 1954, on statutory notice. The Federal Communications Commission had authorized similar increases to be effective July 15, 1954, on interstate messages.

**E. Railway express rates**

The class rates of the Railway Express Agency Inc., were increased 7% on interstate and Wisconsin intrastate traffic effective March 20, 1956, on statutory notice. The increase, granted to compensate for a rise in wages and other operating costs based on data submitted with the tariff filing, was allowed to become effective without suspension.

**F. Railroad crossing protection**

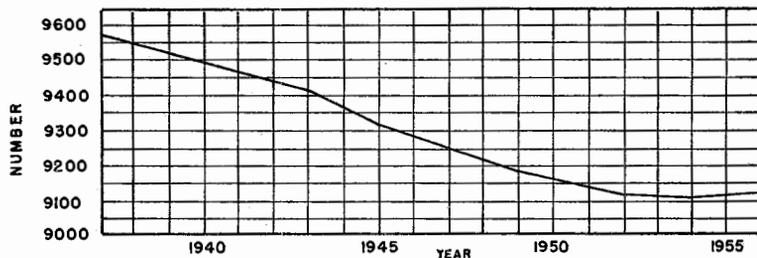
Railroad-highway grade crossing protection estimated to cost \$436,686 was authorized in this biennium. The actual cost of the protection, as shown by verified, itemized statements submitted to the Commission, is apportioned between the railroad and the State, but in no case does the State pay more than 50%. The annual appropriation to cover the State's share of crossing protection expense is \$250,000 (section 20.420 (79), Statutes).

With automobile traffic becoming heavier, the importance of crossing protection is heightened. Vehicular traffic count is but one of the many factors studied before deciding whether or not signal installation is necessary at a crossing. That decision and the choice of the type of signal installation depend also on obstruction to the view of the crossing, gradient, type and amount of railroad operations, and a review of any accident reports at the particular location.

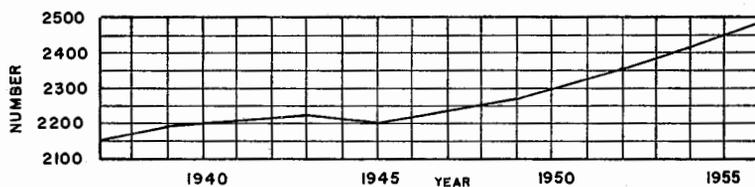
Always, consideration is given to circumstances peculiar to a crossing. In Fond du Lac, neon signs in the vicinity of a railroad crossing of West Johnson Street posed a special problem in the selection of a signal to attract attention. At a crossing where the rail traffic consisted of slow-moving

## HIGHWAY-RAILROAD CROSSINGS

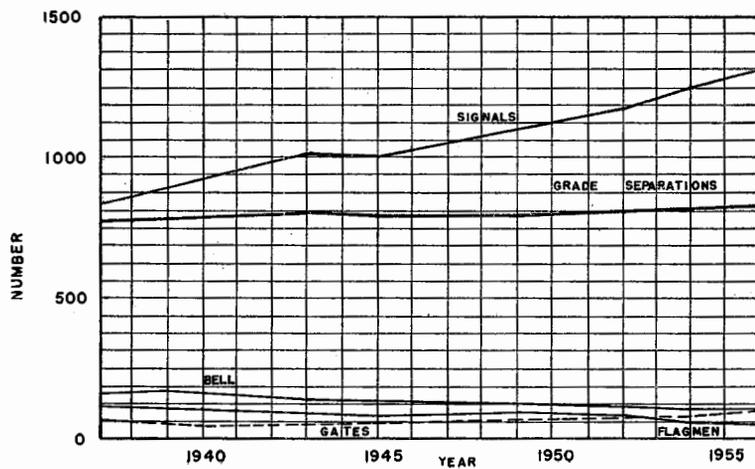
### TOTAL CROSSINGS



### PROTECTED CROSSINGS



### TYPE OF PROTECTION



freight trains, the nighttime effectiveness of sodium-vapor lights was given special attention. Part-time flagman protection was required where a large number of school children used the crossing. The pedestrian count is, literally, a vital statistic of the research associated with crossings in urban or suburban areas.

In some instances the protection is changed or augmented to meet current requirements. For example, a second wig-wag has been added at several locations in the state. Whereas in the 1920's, the installation of one signal was deemed sufficient protection at a grade crossing, the accepted standard for many years now has consisted of a minimum of two signals.

In April of 1956, the Commission proposed amendment of section PSC 71.01, Wisconsin Administrative Code, to allow installation of flashing-light signals without the previously required auxiliary rotating stop signs, or short-arm gates, or train-actuated illuminated STOP signs. In some instances where both train and vehicular traffic is light and at nominal speed, flashing lights may be considered adequate protection. The amended rule, effective July 1, 1956, makes this less expensive installation one which the Commission will consider for approval.

## X. WATER USE AND CONSERVATION

## A. Jurisdiction—Cases decided

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 riparian property, and the increasing use (recreational, industrial, and agricultural) of the streams and lakes.

The 133 formal water power cases decided during the biennium include:

	Cases
Dams (acquisition, permits for construction, operation, and abandonment) -----	36
Diversion of water (irrigation) -----	13
Removal of material from the beds of lakes -----	26
Water levels determined for lakes -----	12
Toll reports -----	8
Structures on navigable waters (bridges, breakwaters, docks, etc.) -----	28
Miscellaneous -----	10

The work of the Water Power Section of the Commission's Engineering Department is varied and state-wide. Investigation and study are preliminary to a permit to construct a boat ramp, a permit to drain and refill a lake as part of a project restoring it to its former status as a good fishing lake, approval of a shoreline adopted by city ordinance, a permit to construct a building with supports in a river, a permit to divert water for irrigation of crops; the list could go on and on.

## B. Dams

As required by statute, the Commission inspects dams having a theoretical horsepower capacity of 750 horsepower or more. There were 172 such inspections in the past biennium.

The following table indicates the function of the 1,097 dams under Commission jurisdiction:

Public utility dams over 750 THP .....	56
Industrial power dams over 750 THP .....	22
Dams used for both utility and industrial power over 750 THP .....	11
Dams owned by or leased to cooperatives .....	5
Public utility dams under 750 THP .....	71
Dams supplying electric power to utilities under 750 THP	11
Private power dams under 750 THP .....	107
Dams used for storage reservoirs .....	30
Dams used to control levels of lakes—no power .....	198
Dams used for recreation—no power .....	296
Industrial dams—no power .....	81
Drainage-ditch control dams .....	209

#### 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 the 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 information 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. 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 125 persons. The Commissioners are George P. Steinmetz, chairman, Nicholas J. Lesselyoung, and Arthur L. Padrutt.

Chairman 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 war-time 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 Special Committee to Study the Problem of Procurement and Training of Commission Engineering Personnel 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, and appointed Chairman of the Commission on April 13, 1956.

Commissioner Nicholas J. Lesselyoung was born in Chilton, Wisconsin. He attended St. Thomas College in St. Paul, Minnesota, and was graduated from the Marquette Univer-

sity Law School in 1942. He served in the United States Navy from 1943 to 1946, when he entered the private practice of law in Fond du Lac. He is a past Commander of his American Legion Post and a past President of the Fond du Lac County Bar Association. A member of the Dane County, Wisconsin, and American Bar Associations, he is also a member of the Public Utility Section of the American Bar Association. In 1948, Mr. Lesselyoung received the Distinguished Service Award from the Junior Chamber of Commerce. He was elected to the Wisconsin Assembly from the 1st District of Fond du Lac County in 1950 and again in 1952 and 1954. During the time he served in the Legislature, he was a member of the following interim committees: Study of the Problems of the Aged; Governor's Committee on Industrial Development; Subcommittee on Taxation of the Legislative Council; and Interstate Cooperation Commission representing Wisconsin. In his last session he served as Majority Caucus Chairman, as a member of the Rules Committee and as Chairman of the Judiciary Committee. Mr. Lesselyoung was appointed to the Public Service Commission by Governor Kohler for a 6-year term expiring in 1961.

Commissioner Arthur L. Padrutt was born in Huron, South Dakota. He received a Bachelor of Science Degree from the Eau Claire State College in 1939. Mr. Padrutt was graduated from the University of Wisconsin Law School in 1956. Prior to receiving his law degree, he taught in the Wisconsin public schools and owned and operated a photo supply business. He was elected to the Wisconsin Assembly from Chippewa County in 1940 and served four consecutive terms in that body. Elected to the Wisconsin Senate (28th District: Chippewa and Eau Claire Counties) in 1948, he served in the '49, '51, '53, and '55 sessions. During his legislative career, his committee assignments were varied, including the State Centennial Committee, Committee to Visit State Institutions, and the Joint Finance Committee in 1951 and 1953. In 1955 he was Chairman of the Governmental and Veterans' Affairs Committee. From 1953 to his resignation in 1956 he was Chairman of the Joint Survey Committee on Retirement Systems and has continued to act as

Chairman of the Governor's Retirement Systems Study Committee following his appointment to the Public Service Commission. He was also a member of the State Building Commission and the Commission on Interstate Cooperation and was Wisconsin's representative on the Board of Managers Council of State Governments. Mr. Padrutt was appointed to the Public Service Commission on April 13, 1956, by Governor Kohler for the unexpired term of former Chairman James R. Durfee, who left the Commission to serve as Chairman of the Civil Aeronautics Board.

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.

## PUBLIC SERVICE COMMISSION OF WISCONSIN

## PERSONNEL

George P. Steinmetz, chairman  
Nicholas J. Lesselyoung, commissioner  
Arthur L. Padrutt, commissioner  
Edward T. Kaveny, secretary

## Administration Department

Edward T. Kaveny, chief  
Main Office Section (Supervised by secretary)  
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

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

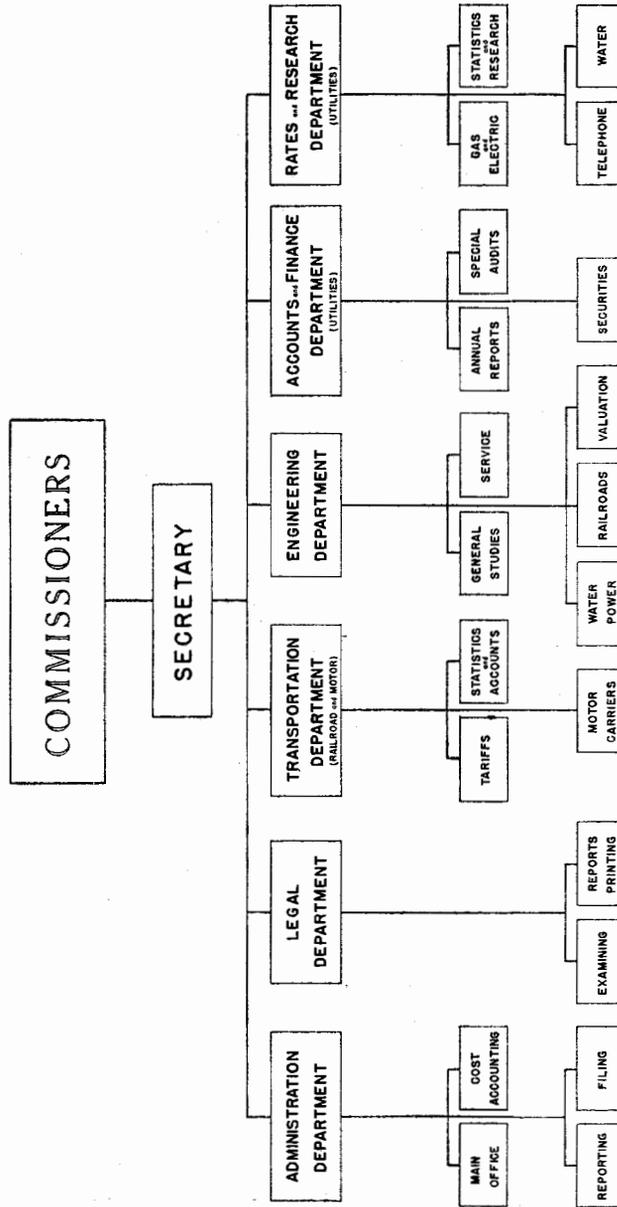
## Accounts and Finance Department

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

## Rates and Research Department

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

ORGANIZATION CHART  
OF  
PUBLIC SERVICE COMMISSION OF WISCONSIN



## PERSONNEL

June 30, 1956

	Number of people
Commissioners -----	3
Administration Department -----	34
Legal Department -----	13
Transportation Department -----	25
Engineering department -----	26
Accounts and Finance Department (utilities) -----	12
Rates and Research Department (utilities) -----	16
Commission total -----	<u>129</u>

**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:** Operates as 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 the Commission finances and personnel, coordinates travel of staff members, and issues and inventories equipment and supplies.

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

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

Immediately prior to his serving as Chief Counsel of the Commission and as head of its Legal Department, William E. Torkelson was Assistant Attorney General of the state of Wisconsin from 1944 to 1949.

### *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.

A. Wilford Larson, who has been chief of the Transportation Department since 1952, was a member of the Commission staff since 1933, except for a 1942-1945 military leave. He was a member of the Governor's Commission on Urban Transportation which made its report to the Governor in November 1954, and is now a member of the Governor's Committee on Railroad Passenger Service in Wisconsin.

#### *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, streetcar, 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.

Warren Oakey, chief of the Engineering Department since 1953, has been a member of the Commission staff since 1925. He is a member of the Water Regulatory Board, of the Natural Resources Committee, and of the Wisconsin Committee on Atomic Energy.

#### *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 for authority to issue stocks, bonds, and all other forms of securities, investigates proposals of utilities to purchase, consolidate or merge other utility companies, investigates financial arrangements between utility affiliated interests which require Commission approval, and makes recommendations to the Commission on matters pertaining to accounting and finance.

A. R. Colbert, who has been chief of the department for the past 21 years, is chairman of the Committee on Accounts and Statistics of the National Association of Railroad and Utility Commissioners, and, for many years has been a chairman or member of the Committee on Depreciation of that 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 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 16 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.

## XII. 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  $\frac{3}{4}$  of 1% of the gross intrastate operating revenues of the utility in the previous calendar year. A similar assessment is made in railroad investigations.
2. To recover costs incurred in utility regulation that cannot be ascribed to a particular investigation, the Commission makes a so-called remainder assessment after the close of each fiscal year against all Wisconsin utilities which may not exceed  $\frac{1}{2}$  of 1% 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  $\frac{3}{4}$  of 1% 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.

	1954-55	1955-56
Appropriations and receipts		
General legislative appropriations -----	\$231,300.00	\$273,100.00
Cost of living bonus appropriations -----	37,421.85	36,223.93
Emergency board appropriations -----	7,890.61	2,500.00
<b>Total appropriations -----</b>	<b>\$276,612.46</b>	<b>\$311,823.93</b>
Utility receipts		
Direct charges -----	\$ 66,619.78	\$ 61,828.85
Remainder assessments -----	330,230.02	337,404.24
<b>Total -----</b>	<b>\$396,849.80</b>	<b>\$399,233.09</b>
Railroad transportation receipts		
Direct charges -----	\$ 3,638.14	\$ 5,279.93
Remainder assessments -----	101,915.80	101,606.13
<b>Total -----</b>	<b>\$105,553.94</b>	<b>\$106,886.06</b>
<b>Total appropriations and receipts -----</b>	<b>\$779,016.20</b>	<b>\$817,943.08</b>
Disbursements		
Utility -----	\$412,886.41	\$417,910.71
Railroad transportation -----	107,402.27	108,178.46
Water power and navigation -----	64,205.02	67,063.51
Motor transportation -----	202,566.62	207,963.03
<b>Total disbursements -----</b>	<b>\$787,060.32</b>	<b>\$801,115.71</b>
Collections for general state fund		
Utilities securities fees -----	\$ 55,663.37	\$ 95,987.89
Water power and engineering fees -----	1,290.18	884.71
Copy work and sale of printed matter -----	3,785.49	3,248.38
<b>Total -----</b>	<b>\$ 60,739.04</b>	<b>\$100,120.98</b>
Collections for state highway fund		
Motor carrier filing fees -----	\$ 59,255.41	\$ 60,355.25

## XIII. 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 and orders

Under the direction of the Commission, hearing examiners held 2,259 hearings in various parts of the state. This total exceeds that of the last biennium by 79.

## HEARINGS

	1954-55	1955-56
Railroad .....	135	148
Utility		
General .....	146	166
Securities .....	1	2
New plants and additions .....	30	38
Water power .....	56	65
Motor		
General .....	44	34
Common carrier certificates .....	64	59
Contract carrier licenses .....	599	672
Amendments .....	---	---
Totals .....	1,075	1,184

## FORMAL CASES

	Opened during biennium		Closed during biennium	
	1954-55	1955-56	1954-55	1955-56
Railroad .....	133	151	146	140
Utility				
General .....	170	216	189	223
Securities .....	41	36	37	38
New plants and additions .....	95	110	97	105
Water power .....	53	73	63	46
Motor				
General .....	28	28	26	33
Common motor carrier certificates .....	30	29	29	28
Contract motor carrier licenses .....	1292	1323	1320	1289
Amendment of operating rights .....	1044	1072	1018	1083
Annual totals .....	2886	3038	2925	2985
Biennial totals .....	5924		5910	

## ORDERS ISSUED

	1954-55	1955-56
Railroad .....	203	171
Utility		
General .....	215	264
Securities .....	43	45
New plants and additions .....	104	114
Water power .....	83	70
Motor		
Common motor carriers, certificates .....	64	53
Contract motor carriers, licenses .....	1,720	1,566
Amendment of operating rights .....	990	1,042
General .....	49	47
Annual totals .....	3,471	3,372
Biennial total .....	6,843	

## INFORMAL CASES

	1954-55	1955-56
Railroad .....	69	53
Utility .....	641	679
Water power .....	90	109
Totals .....	800	841

## SUITS AGAINST COMMISSION

1954-55	1955-56
20	4

There are, besides the tabulated proceedings, innumerable matters informally handled. The two examples here given merely suggest the volume of detailed and valuable work done by many sections of the Commission's six departments.

The Tariffs Section of the Transportation Department, during this biennium, processed 406 informal rate and tariff applications wherein carriers (railroads or truckers) sought special authority to publish rate and tariff changes on less than statutory notice. Further, the section audited 13,988 freight and express bills, and reported overcharges for claim adjustment amounting to \$2,554.60.

The Water Power Section of the Engineering Department investigated and decided 200 informal complaint cases dealing with such matters as diversion of water, obstructions in navigable waters, or encroachments.

**B. Cooperation with other departments**

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 Statistical Section of this department files and screens data requested of private and contract motor carriers by the Highway Advisory Committee of the Legislative Council, under section 194.357, Statutes, created by Chapter 687, Laws of 1955.

Stream gaging records at 91 stations and lake level records at 28 stations are being compiled on a cooperative basis by the Commission and the Water Resources Branch of the United States Geological Survey.

The Electrical 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**

Among the several important proceedings before the Interstate Commerce Commission in which the Public Service Commission participated was ICC docket 30660, instituted in 1950, and now concluded. Transcontinental rail class freight rates published in compliance with the order of October 19, 1955, generally result in reductions between Wisconsin points and points in the Pacific Coast Territory.

The case dealing with the Chicago, Milwaukee, St. Paul and Pacific Railroad Company's proposed abandonment of its line from Heafford Junction to Woodruff was dismissed.

Still pending is the matter of jurisdiction over motor carriers' transportation, within a single state, of petroleum and petroleum products delivered to the state by means other than motor carrier.

The proceedings not mentioned in detail dealt with various railroad freight and passenger rates and service matters.

#### D. Supreme Court of Wisconsin—Decisions

In this biennium there were a number of decisions of interest by the Supreme Court of Wisconsin, in which the Legal Department of the Commission took an active part. The list of these decisions follows:

##### Train service cases

*C. M. St. P. & P. Ry. Co. v. Public Service Comm.*, 267 Wis. 402  
*Princeton v. Public Service Comm.*, 268 Wis. 542

##### Railroad grade crossing case

*Green Bay & Western R. Co. v. Public Service Comm.*, 269 Wis. 178

##### Rate and valuation cases

*Milwaukee & Suburban Transp. Corp. v. Public Service Comm.*, 268 Wis. 573  
*St. Francis v. Public Service Comm.*, 270 Wis. 91  
*Kaukauna v. Public Service Comm.*, 271 Wis. 516

##### Utility service case

*Milwaukee v. Public Service Comm.*, 268 Wis. 116

Four of the decisions listed deserve special comment.

In *Milwaukee & Suburban Transport Corp. v. Public Service Commission*, the Commission was faced with the problem of determining the proper treatment for rate-making purposes of a credit balance in the acquisition adjustment account, resulting when the carrier operating the mass transportation system in Milwaukee purchased the operating properties from the former operator of the system at a cost of about \$5,000,000 less than the original net investment of this prior operator.

In *St. Francis v. Public Service Comm.*, 270 Wis. 91, the Commission undertook to determine the value of a municipal water utility pursuant to the provisions of section 66.03 (4). The Supreme Court affirmed the action of the Commission in determining such value on the basis of net investment of the water utility which excluded amounts received by the utility from the Federal government in aid of construction of the system.

*Milwaukee v. Public Service Comm. et al.*, 268 Wis. 116, involved an application by General Motors Corporation for water service to a portion of a building located outside of the corporate limits of the city of Milwaukee. The case discusses the obligation of a municipal water utility to furnish water service outside its corporate limits, and furnishes a guide as to the type of evidence from which the Commission may infer an obligation of service exists.

*Kaukauna v. Public Service Comm.*, 271 Wis. 516, is noteworthy for being the first case where the Commission acted on a complaint by one municipality that charges for sewerage service furnished to it by another municipality were excessive.