

PUBLIC SERVICE
COMMISSION
of
WISCONSIN

BIENNIAL REPORT
July 1, 1964 to June 30, 1966

Arthur L. Padrutt
Chairman

Stanley E. Gilbertson
Commissioner

Walter J. Cole
Commissioner

John F. Goetz
Secretary

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FOREWORD

The attached report is an outline of the work of the Public Service Commission of Wisconsin from July 1, 1964 to June 30, 1966.

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

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Madison, Wisconsin
December 5, 1966

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

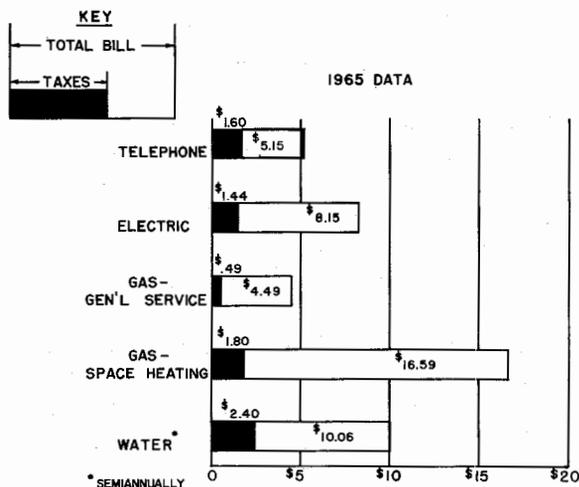
Regulation--Rates and service--Utilities--Transportation

The Public Service Commission of Wisconsin is a REGULATORY AGENCY. Regulation is a complex and continuous PROCESS, daily affecting the convenience, health, business, and expenses of every individual and community.

The graph and rate table on page 2 indicate certain economic benefits to the consumer flowing from government regulation of utilities. Basic utility service is not subject to the ordinary competitive controls of the marketplace because of the huge costs of utility plant, duplication of which, to provide consumers with competitive advantages, is not economically feasible and so government supervision and regulation is thus necessarily substituted for competition. Utilities, as regulated monopolies, are required by law to provide "reasonably adequate service and facilities" at rates which are "reasonable and just." The dynamics of Commission action lies in its applying statutory principles to particular situations.

A utility rate may be increased only upon Commission approval following investigation and public hearing.

TAXES INCLUDED IN TYPICAL UTILITY BILLS OF MADISON HOMES

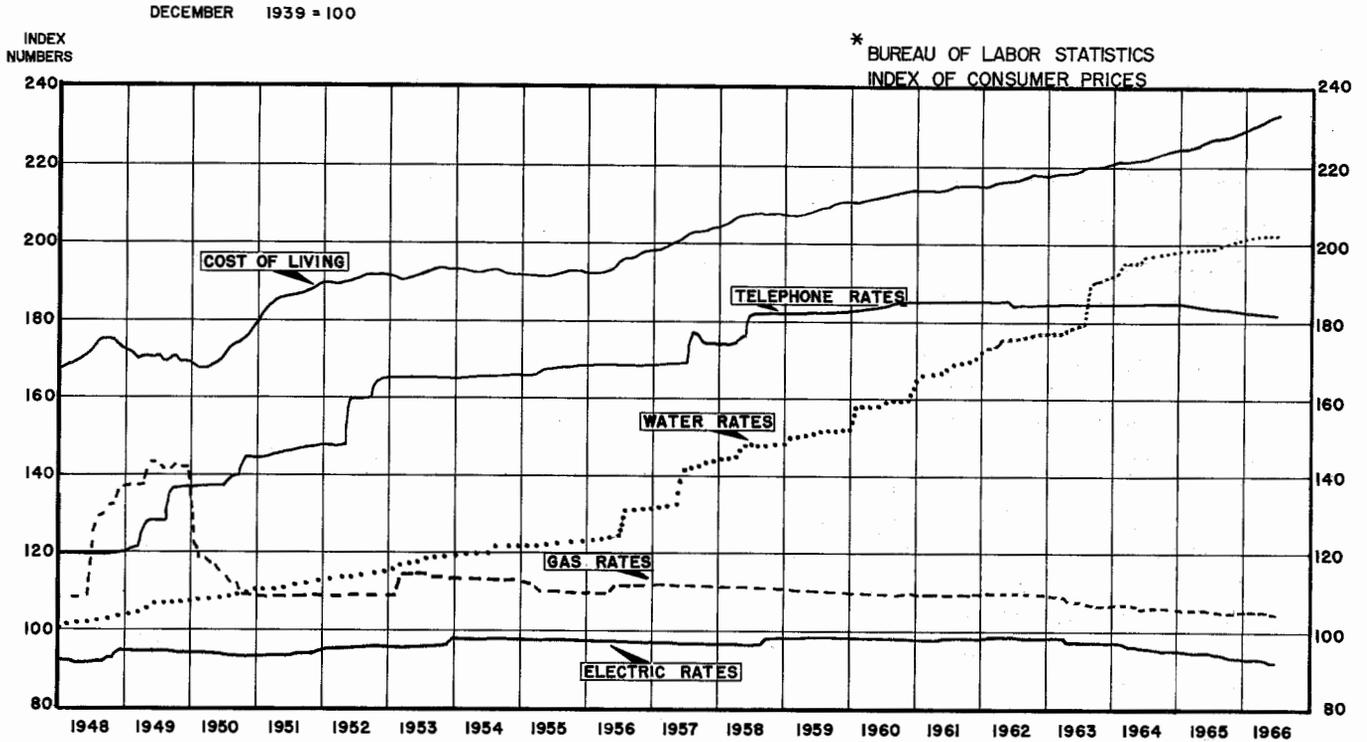


Technical reports, continuing inventory studies, financial reports submitted as required by law--all contribute data valuable in determining rates low enough to make service economically available to everyone, yet high enough to provide investors a reasonable and just return on money invested.

In rate proceedings, many cost factors are considered: Operation and maintenance of plant, wages and salaries, supplies, and depreciation and taxes.

Taxes, including income taxes, are an item of allowable expense, and have a substantial impact on customers' bills. The total tax bill of Wisconsin utilities was \$271,182,000 for 1964 and 1965.

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



RATE CHANGES
Approved During Biennium

<u>Utility</u>	<u>Decreases</u>	<u>Increases</u>
Electric utilities	\$12,211,058	\$ 46,446
Gas utilities	2,362,909	400,295
Sewer utilities*	8,005	54,048
Telephone utilities	3,937,295	1,153,349
Water utilities	2,508	1,141,309

* Rates of sewer utilities are not shown in the Cost of Living graph. They are included in Public Service Commission jurisdiction only when the sewer and water utility are combined, or in cases of customer complaints made to this Commission on rates for service, or when a privately owned sewer utility elects to have the Commission establish suitable rates.

When examination of utilities' financial reports indicates that earnings exceed an adequate return, the Commission confers with utility management to determine whether a rate reduction should be made and, if so, to what extent. The telephone rate reductions include savings to customers through the inauguration of toll-free extended-area service.

The graph and the figures on the facing page also illustrate the operating characteristics of each type of utility, all of them facing increasing demand from more customers wanting more, and more modern, service.



Largely because mass production and high volume are especially advantageous to power production, your demand for more electric service results in efficient use of plant and lower unit costs. Electric rates have never risen above the 1939 level.



High volume use of plant capacity is favorable to gas utility operation. The 1949 downward plunge in rates is chiefly due to the noticeable advance in the availability of natural gas, which is cheaper than manufactured gas.



The telephone rate picture requires consideration of both the graph and the dollar figures. The higher rates you pay save you money in the long run. For instance, with extended-area service increasing, your local calling area is enlarged to include persons and places formerly involving toll charges.

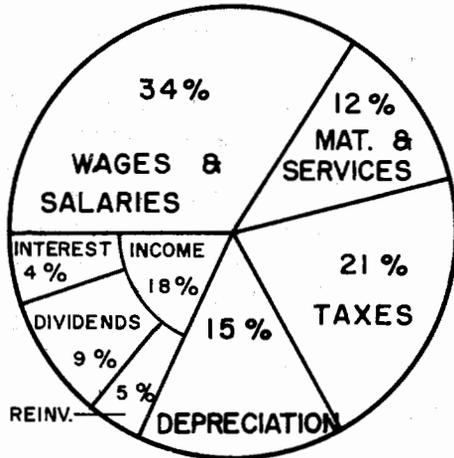


Mounting demand for water often calls for disproportionate plant investment in extension of facilities far from the source of supply. In the case of water supply dependent on rainfall, demand rises for the same reason that supply dwindles.

THE UTILITY REVENUE DOLLAR

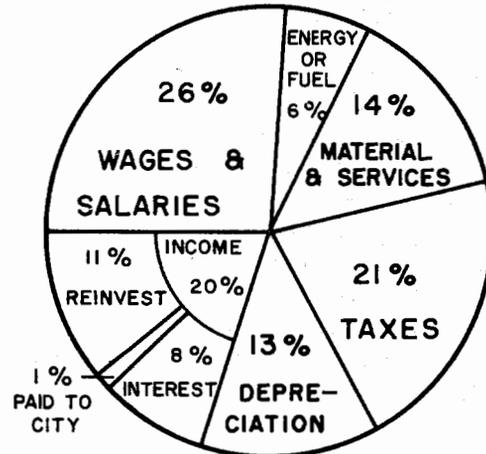
1965 DATA

TELEPHONE

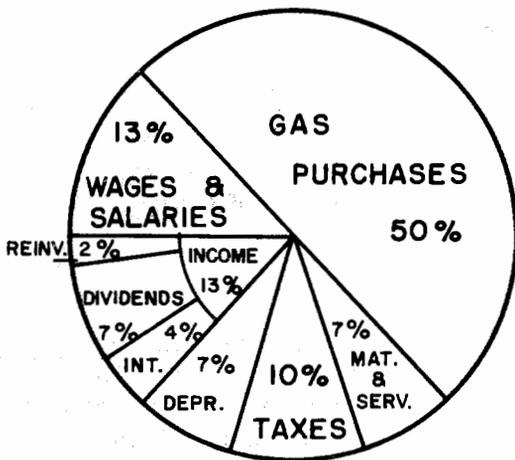


WATER

MUNICIPAL UTILITIES

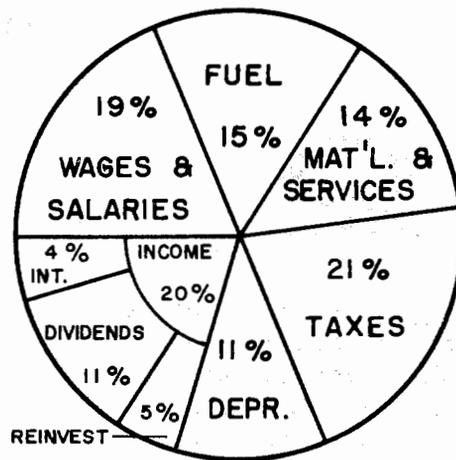


GAS



ELECTRICITY

PRIVATE UTILITIES



Again, charts and tabulations indicate varying operating characteristics and trends. Where, for example, labor costs are a substantial portion of operating expenses, wages and efficiency loom large.

W A G E S			
	Percent of Total Revenue	Year	Average Hourly Compen- sation
Wisconsin Telephone Companies ¹	41.00 35.00 34.00	1957 1961 1965	\$1.9700 2.3000 2.8200
All Rail- roads ²	51.00 49.40 46.56	1957 1961 1965	\$2.2850 2.6380 2.9800
Intrastate Common Motor Car- riers of Property ³	44.00 51.90 53.90	1957 1961 1965	\$2.5933 3.1312 3.5274

¹ Nonsupervisory workers.
² All employes.
³ Equipment, maintenance, and transportation employes, based on total man-hours paid for.

While wages have advanced (see table at left), modern improvements in operational equipment and methods promote more productive use of man-hours.

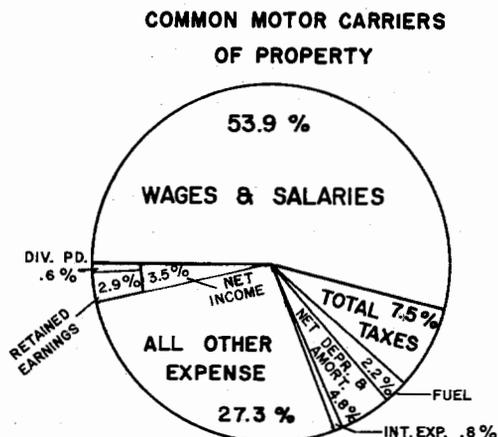
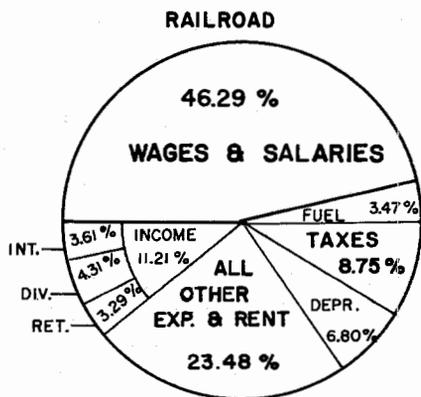
Automation (dial service and computers for billing and compiling records) enters the picture to account for a decline in the number of persons hired.

In the case of railroads, the labor force has diminished due to elimination of unprofitable passenger trains and some full-time agency service through the establishment of Central Agency Plans for more efficient area-handling of freight.

Such factors as improved highways, palletized operation, and trucks especially equipped to handle shippers' commodities have speeded up motor carrier freight, cutting down the man-hours per shipment.

THE TRANSPORTATION REVENUE DOLLAR

1965 DATA



We take for granted service not dreamed of when utility regulation was introduced in 1907--then demand more and better. We even expect public services to be so planned as to anticipate advancing demand. Rather than little-by-little uneconomic piecemeal additions to plant, consideration must be given to probable future use, shifts in population, and changes in industrial operation.

In the interests of economic long-range planning, the Commission, by two April 1965 Findings of Ultimate Fact, enabled Wisconsin Electric Power Company to acquire right-of-way for two high-voltage transmission lines, construction of which on the lands in question is unlikely to commence within 2 years. These are the second and third proceedings (the first was in 1963) under section 32.075, Statutes, enacted by the 1955 Legislature, displaying foresight of its own.

"Present power supply facilities," the order states, "are adequate for today's loads, but additional supply will be needed in the foreseeable future." To acquire the necessary right-of-way for the entire line as quickly as possible "should result in lower cost and eliminate the possible destruction or displacement of developments which might otherwise be attempted in the interim."

Monopoly does not apply with the same force to transportation since there is competition between modes of transportation. Nowhere is this more pronounced than in transportation of passengers where the private automobile provides an estimated 89.57% of the traffic. In spite of competition, the several modes of transportation of passengers, and property, are deeply impressed with the public interest.

Where studies show potential use possibly justifying requested changes or additions to city bus routes, particularly to growing suburbs, 90-day trial service is frequently provided. If found to be economically practical, such service is made permanent. However, neither the community-at-large nor the bus company can afford to have basic central bus service jeopardized by the extension of bus lines into areas where the patronage is too low to cover even the drivers' wages.

Tailoring the service to meet current needs, Madison Bus Company and Milwaukee & Suburban Transport Corporation are successfully operating several express buses, operating on schedules allowing for fewer stops and thereby substantially reducing travelling time.

Railroad companies, and railway express, coping with the problem of declining freight traffic, are reorganizing the method of serving small communities by including them in large terminal areas within which they receive freight and express service more appropriate to their needs.

Shifting preferences and requirements of shippers alter the specific "public needs" which the Commission must take into consideration in regulating motor carrier and railroad transportation.

History--Jurisdiction

The PROCESS of regulation requires expert, working knowledge to enforce stated statutory standards such as "public convenience and necessity," interpreted in the context of area and time (NOW). The Commission is often referred to as an "arm of the legislature" to actively apply these standards to particular circumstances.

The original circumstance was railroad rates which were the concern of the three-man Wisconsin Railroad Commission appointed in 1874. From the first, Wisconsin participated in the "Let's Get Together" enthusiasm of the budding concept of state regulation of railroads. As early as 1874 state railway commissioners of Wisconsin, Minnesota, and Illinois met to discuss uniformity of action "to prevent the evils practiced by the railroads."

Several more meetings were held with a growing number of participating states before the 2-year-old Interstate Commerce Commission invited railway Commissioners to a March 1889 conference in Washington, D. C. Twenty-one states, including Wisconsin and one territory (New Mexico), attended what turned out to be the first convention of the National Association of Railway Commissioners, later renamed National Association of Railway and Utility Commissioners (NARUC).

Then in 1905, a three-man appointive Commission was created, and two years later, its jurisdiction was expanded as to railroads and extended to include utilities, whether privately or publicly owned. While in the beginning, concern was largely with personal grievances as to railroad rates and rebates, a broader PUBLIC INTEREST concept was surfacing.

Half the states had established commissions of the modern type by 1913, when Wisconsin passed the so-called "Anti-Duplication Law" empowering the Commission to prohibit competing, duplicating utility facilities in an area.

A December 28, 1964 order in 2-U-6177 approved the sale of Beef River Valley Telephone Company to General Telephone Company of Wisconsin.

In acquiring and combining properties, a \$80,935 plant loss was incurred due to facilities having no value because of physical condition or because of duplication of buyer's plant.

The city of Osseo was the only remaining community in the state where, since before the Anti-Duplication Law, two telephone companies maintained

exchanges and switchboards and competed for subscribers. "As a result, there is unnecessary duplication of facilities that can only result in higher rates and inferior service," the Commission said in an earlier order restraining Beef River Valley Company from proceeding with a dial conversion program at Osseo.

Today, every state in the Union, including Hawaii and Alaska, has a Public Service Commission, though the name of the agencies varies. It was, in fact, not until 1931 that the Wisconsin Railroad Commission was renamed Public Service Commission.

In the meantime, water powers had been added to the Commission's jurisdiction in 1915; common motor carriers in 1927. A comprehensive truck and bus regulation law (Motor Carrier Act) was enacted in 1933. Today, its regulatory powers and duties include the rates and service of:

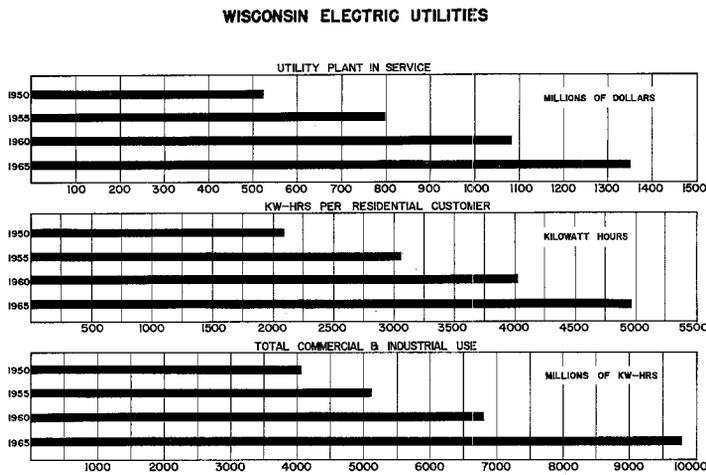
4	common carriers of property by water
314	common motor carriers of passengers and property
14,483	contract motor carriers of property
1	electric railway
107	electric utilities
1	express company
18	gas distribution utilities
4	heating utilities
17	railroads (other than electric railways)
98	sewer utilities (combined with water utilities)
1	sleeping car company
1	telegraph company
135	telephone utilities
464	water utilities

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

ELECTRIC UTILITIES

Plant value--Authorizations

The electric utility plant in Wisconsin, the value of which stood at \$1,352,683,496 on January 1, 1966, continues to grow. During the 1964 biennium, in addition to construction for which no formal authorization is required, 59 certificates of authority were issued for plant estimated to cost over \$59,040,000 and eight estimates were revised upward a total of \$905,893.



These installations, some of which are completed, include six diesel electric generating units and two large steam-electric generating units. Of the latter, the eighth unit to be installed at Wisconsin Electric Power Company's Oak Creek Power Plant will raise the plant's rated capacity to 1,670,000 kilowatts.

Power pools

Nine new interconnections were added to the already considerable number, while other construction is sometimes made with future participation in power pools kept in mind.

A 345-kv. line from Milwaukee to Twin Cities went into operation about midyear 1966. This is part of Mid-Continent Area Power Planners' (MAPP) Twin Cities-Chicago line which is estimated to provide 30-million-dollar savings, through 1975, for the participants, Wisconsin Electric Power Company, Northern States Power Company (Wisconsin) and (Minnesota), and Commonwealth Edison Company.

MAPP is an organization of 39 local power suppliers operating in 10 Mid-western states and the Canadian province of Manitoba. Wisconsin members are Northern States Power Company (Wis.), Lake Superior District Power Company (Superior Water, Light, and Power Company is interconnected with

its parent company, Minnesota Power & Light Company, an organization member), and Dairyland Power Cooperative. Wisconsin Electric Power Company is one of the adjacent "participating" utilities.

The coordinated planning and operation possible under such pooling arrangements have many advantages:

mutual assistance during emergencies

purchase and sale of economy energy

greater flexibility in removing generator units for maintenance

postponement of immediate investment for large installation

possibility of very large high-efficiency generating units too large for the immediate needs of any one utility

and it all adds up to lower unit costs and lower rates in an industry to which high volume is so advantageous.

Six Wisconsin utilities* are participants in a large transmission network known as MAIN (Mid-America Interpool Network) including operation in several states.

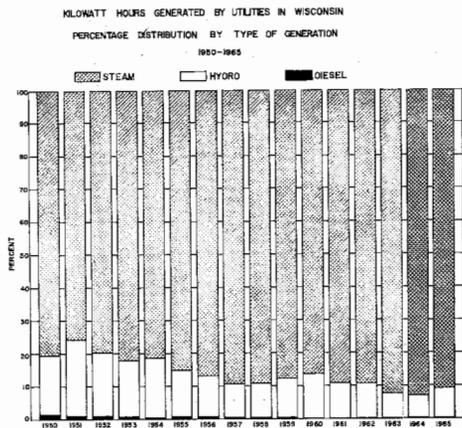
Atomic power plants

Northern States Power Company (Minnesota) began commercial power production at its Pathfinder atomic power plant at Sioux Falls, South Dakota. Initial production on July 26, 1966 of 6,000 kilowatts for two hours will be gradually escalated to 60,000-kilowatt capacity. Power is fed directly into the company's main interconnected system which connects with about 600 communities in Minnesota, Wisconsin, and South Dakota.

Wisconsin Michigan Power Company has applied for authority to construct a nuclear power plant, water intake and harbor facilities, and a substation and facilities to interconnect with Wisconsin Electric Power Company's 345-kv. line. The project in the town of Two Creeks, Manitowoc County, is estimated to cost \$65,512,000.

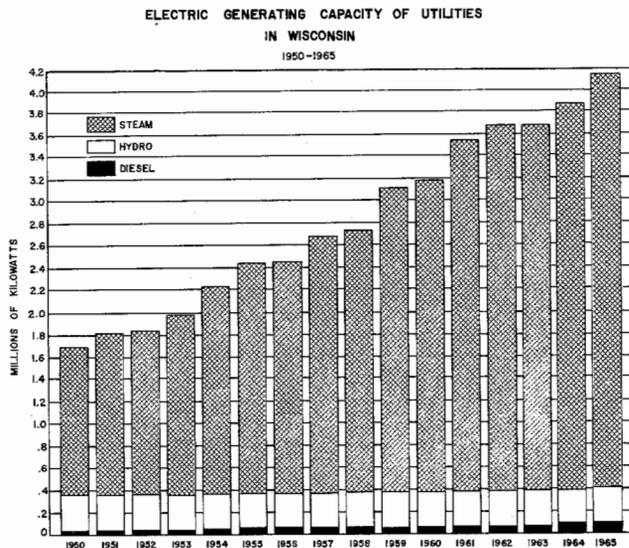
* Wisconsin Electric Power Company
Wisconsin Michigan Power Company
Madison Gas and Electric Company

Wisconsin Power and Light Company
Wisconsin Public Service Corporation
Northern States Power Company (Wis.)



Dairyland Power Cooperative's atomic plant near Genoa is nearing completion. Because, under Wisconsin Statutes, electric cooperatives are not classed as, nor regulated as, utilities, statistics pertaining to Dairyland Power Cooperative and other power cooperatives are not included in the figures and graphs in this Report.

Generation and capacity



As the charts show, large power production is by steam generation. Some diesel units are operated by small utilities which buy a substantial portion of their power, but wish to decrease purchases at the higher rates applying to peak-load periods. The units also serve as standby local power for emergency operation.

With hydrogenerating capacity remaining constant, the variation in kilowatt hours generated by said method amounts to a yearly rainfall chart.

The sale of several small dams which cannot be economically operated for power generation does not involve sufficient capacity to appreciably change the capacity picture.

Total energy system

By Declaratory Ruling (DR-30) of February 15, 1965, the Commission ruled that the furnishing of heat, light, power, and water to only tenants of a "total energy" apartment complex whose rental charges include such services, unmetered, is not public utility service offered to or for the public and is, therefore, not within the Commission's jurisdiction. In this case, natural gas is used to run engines driving four electric generators with a total capacity of 500 kilowatts. Heat-recovery equipment utilizes

waste heat from the engines to furnish low-pressure steam to heat and air-condition all rental units of the apartment complex in the so-called "Brooks Parcel" in the city of Sun Prairie which operates as a municipal electric public utility. The Commission's Ruling is being contested by the city in a currently pending Dane County Circuit Court proceeding.

Power generation by use of natural gas

In recent years, natural gas on an interruptible basis has been used to generate power. Such use in 1965 is shown below:

<u>Utility</u>	<u>Plant</u>	<u>Natural Gas Used-1965</u>
Madison Gas and Electric Company	Blount Street	4,933,273 Mc.f.
Superior Water, Light and Power Company	Winslow	1,079,017 Mc.f.
Wisconsin Electric Power Company	Commerce Street	2,263,514 Mc.f.
Wisconsin Power and Light Company	Blackhawk	1,047,128 Mc.f.
Wisconsin Public Service Corporation	Weston	4,810,245 Mc.f.
Cedarburg Light and Water Commission	municipal	261,180 Mc.f.*

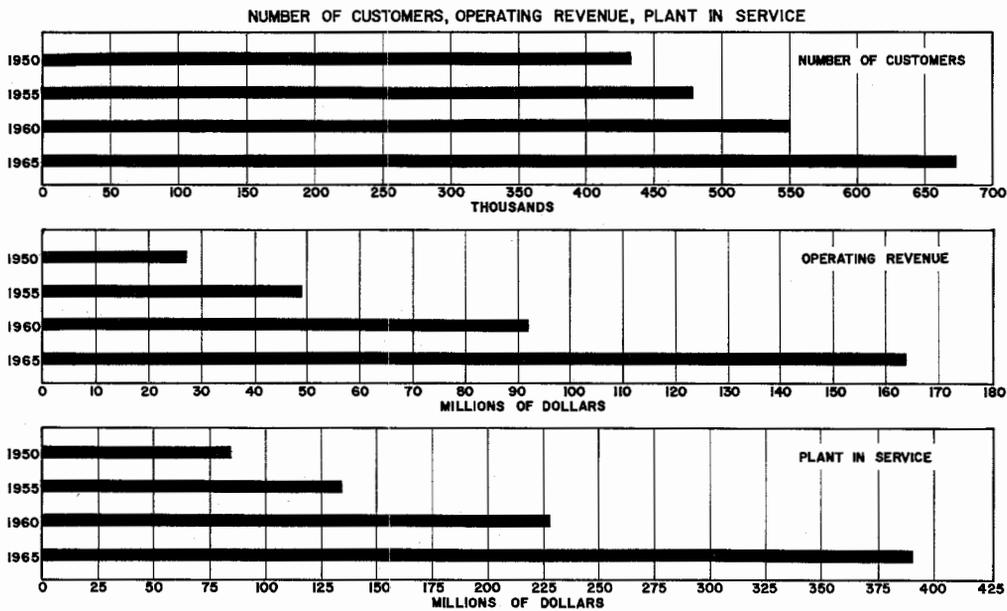
* internal combustion plant. Power generation of other five utilities is by steam.

Several small utilities are installing dual-fuel diesel engines equipped to operate on either fuel oil or natural gas.

GAS UTILITIES

On April 29, 1946, a group of persons gathered at Wisconsin Southern Gas Company's terminal station on Sheridan Springs Road in Lake Geneva, to watch the valve ceremony when natural gas flowed into distribution mains. This was the first time any community in Wisconsin enjoyed the benefits of natural gas.

WISCONSIN GAS UTILITIES



In 1949-1950 when Michigan Wisconsin Pipe Line Company began supplying a substantial quantity of natural gas, utility gas rates in the state dropped sharply. For many years, the demand exceeded the supply, and there were waiting lists for space-heating service.

By the end of the 1966 construction period, approximately 81% of Wisconsin cities and 54% of the villages will be receiving natural gas service, with service authorized to 23 more incorporated communities. The Commission has pending before it utility applications for service to 10 more incorporated communities. Natural gas is, or in the very near future will be, available in almost all the state. Propane gas utility service is now limited to emergency or peak shaving operation.

Plant--Certificates of authority

Nearly all of the 59 certificates of authority issued to gas utilities during the biennium involved service to communities where natural gas was not previously available. Extensions of mains within a service area are covered by the company's filed extension rules and not separately authorized in most cases. Facilities authorized will involve plant construction estimated to cost \$21,010,347, based on various periods of time up to five years.

The community

According to the requirements of Chapter 48 passed by the Wisconsin Legislature in 1943, before a utility may convert to, or introduce, natural gas service in any town, village, or city, the local governing body must adopt a "contract, ordinance, or resolution" authorizing the utility to provide such service. The utility must also be granted by the Commission a certificate authorizing it to perform the service and install plant therefor.

To avoid delay of a year or more in availability of natural gas under Federal Power Commission allocation, the Public Service Commission authorized Midwest Natural Gas, Inc., to serve in the city of Viroqua, subject to the company's obtaining the requisite municipal approval of such service. The city withheld authorization inasmuch as it intended to provide the service. Viroqua became the first municipal natural gas utility in the state when, on July 22, 1965, it was certificated to provide service in the city and those areas in the town of Viroqua contiguous to, and an integral part of, the general service area of the city.

It is logical that the utility which serves a particular city or village should also serve the general market area contiguous thereto. Numerous authorities to serve have been conditioned on competing gas utilities filing territorial agreements as to their respective service areas so that planning and installation can proceed unimpeded by disputes as to who is going to serve where.

Interruptible service

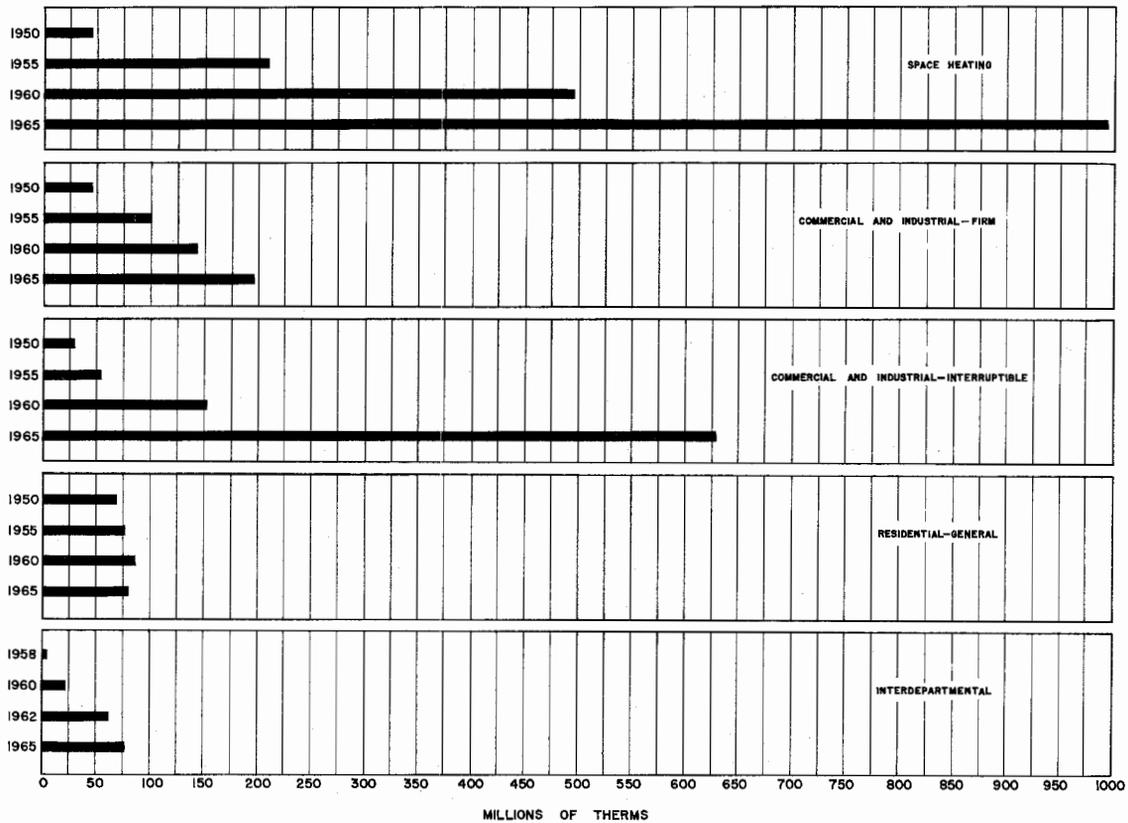
The Commission found reasonable and just the separate rate classifications for contractual service imposing a 5-hour interruption notice on Milwaukee Sewerage Commission and for the highly competitive contractual rate to large users' generation of steam (interruption notice, according to the applicable Sg-6 rate schedule, "will normally be not less than one hour"). Use of natural gas for power generation is also discussed on pages 11-12.

In the above order (Docket No. 2-U-5855), it is pointed out that, if Milwaukee Gas Light Company (now Wisconsin Gas Company) made only firm sales, its overall average cost of gas would have been 51¢ per Mc.f. If all remaining gas were sold under interruptible rate schedules, said average cost would be 42.3¢ per Mc.f.

Wisconsin Natural Gas Company finding an imbalance in demand, with the rate of growth of firm customers exceeding that of interruptible customers, proposed to correct the situation through operation of a liquefied natural gas peak shaving plant. By taking natural gas in off-peak periods, liquefying it, storing it at a temperature of -267° Fahrenheit, and then regasifying it at times of peak demand, the company estimates annual savings of \$410,000 by the winter of 1968-1969. The certificate authorizing the installation was conditioned on certain standards of materials and construction being met. Placed in operation September 25, 1965, the facility is the first of its type in the state and one of the few in the United States.

WISCONSIN GAS UTILITIES

SALES OF GAS IN WISCONSIN



TELEPHONE UTILITIES

Milwaukee Metroplan

On November 14, 1965, Metroplan service was inaugurated in the Milwaukee Metropolitan Area, eliminating interzone and toll charges in one large local calling area of approximately 723 square miles including 11 exchanges: Milwaukee, Caledonia, Menomonee Falls, Muskego, Pewaukee, Thiensville, Waukesha, Big Bend, Cedarburg, Hartland, and Sussex.

Milwaukee Metropolitan Area is the fifth such area in the nation to become ONE telephone exchange. Metroplan's computerized control center at Waukesha missed by two weeks being the first of its kind in the nation. The Salt Lake City Area was first.

Metroplan, which will reduce Wisconsin Telephone Company's revenues and increase expenses, was offered by the company as an offset to the 2% reduction in federal income taxes that became effective January 1, 1964.

According to the August 25, 1964 order authorizing the plan, estimated annual savings to customers will be \$1,741,400; rates will be increased \$1,096,400, leaving net savings of \$645,000. Further net savings to customers will result from the offering of foreign exchange service to customers within two miles of Metroplan's boundaries for an additional \$2 and \$5 for residential and business service, respectively.

A petition for the inclusion of the Delafield exchange (North-West Telephone Company) in Milwaukee Metroplan was "dismissed without prejudice to a future expansion of Metroplan-type service, should circumstances justify the same."

That 12.14% of the Delafield subscribers placed 61.37% of the calls into the Metroplan area and 35% made no such calls indicates unusually concentrated use among a relatively small portion of the subscribers. To have granted the petition at this time would have been to require increased rates from all subscribers for service used by only a few.

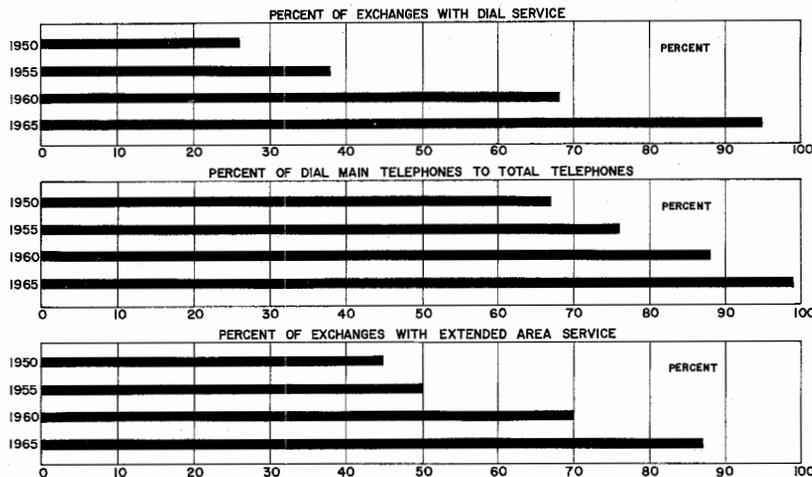
Community of interest

A community of interest justifying extended-area service is measured by toll usage, giving special weight to what percentage of the customers make the calls. Usually, subscribers are canvassed as to whether or not they want extended-area service at the rates estimated to be necessary to cover the cost. Though not as dramatic as the Milwaukee Metroplan, there are many "clusters" of communities enjoying toll-free service.

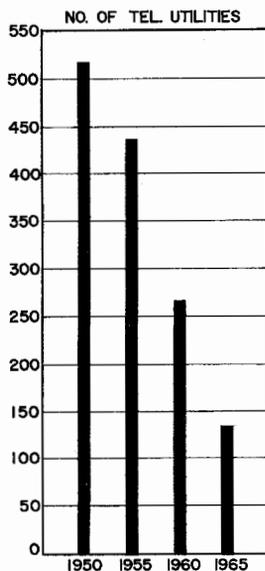
Upgraded service

In an Order requiring a small telephone company to submit plans for plant rehabilitation and conversion to dial, the Commission said, "By present-day standards, reasonably adequate service includes modern dial service. . .". And 95% of Wisconsin telephone exchanges have just that, as the bar chart below shows. Because it is only the small exchanges which have not converted, actually 99% of main telephones have dial service.

WISCONSIN TELEPHONE UTILITIES



From 1961 to June 30, 1966, rural multiparty service with 8 or more parties on a line was upgraded in 18 exchanges to 4-party or less, while 58 exchanges have discontinued 4-party urban service, the demand for which had so declined that problems, associated with line fill, raised costs of the service (part of which is borne by customers otherwise classified) at the same time that 4-party rates frequently applied to what was, in practice, 3-, 2-, and even 1-party service.



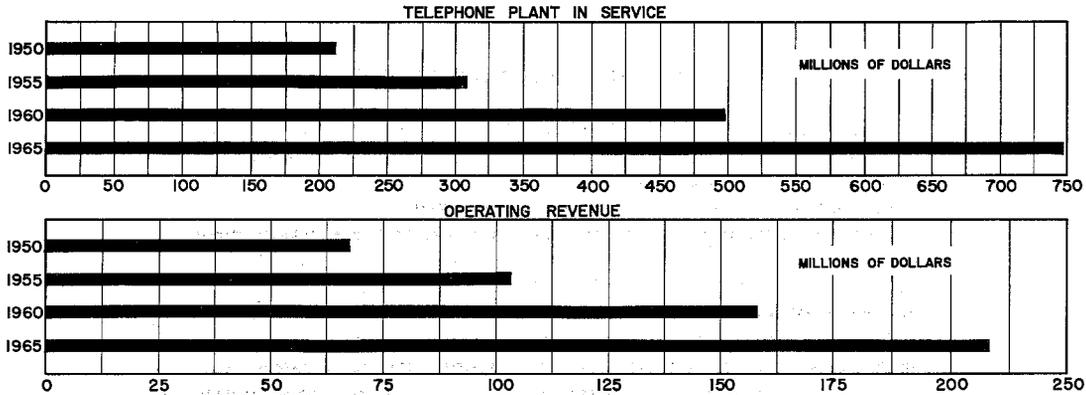
As was authorized by the Commission, the Tri-County Telephone Cooperative converted its recently acquired Northfield exchange to dial operation and, on March 1, 1966, began offering exclusively 1-party service, the first such service in Wisconsin.

Telephone plant

Many small companies are reluctant to raise the capital to improve and expand plant to meet the demand for modern service. During the biennium, 41 companies abandoned operation upon the assumption of service by the acquiring utilities. The 746 companies in 1940 included many switched-line companies started many years

before by small groups of farmers. By 1955, when approximately half the exchanges in the state were converted to dial operation, the number of companies had dropped to 436; as of June 30, 1966, the number is 135. Obviously, all this extension and upgrading of service involves huge expenditures for plant.

WISCONSIN TELEPHONE UTILITIES



During the biennium, 35 certificates authorized installation estimated to cost \$4,963,405 (there is also certain construction which does not require formal approval). In addition, Class A and Class B telephone companies (gross annual income over \$125,300) filed annual calendar-year budgets. The gross amounts approved are shown below:

<u>Utility</u>	<u>Gross Amount Approved</u>	
	<u>1965</u>	<u>1966</u>
Wisconsin Telephone Company	\$25,746,000	\$22,030,000
General Telephone Company	7,037,100	9,719,300
Chibardun Cooperative	None	150,230
Farmers Union Telephone*	259,577	291,916
La Crosse Telephone	308,400	767,200
North-West Telephone	920,510	612,353
Boscobel Telephone	23,640	19,725
Wood County Telephone	273,299	608,688
Midway Telephone	30,803	136,730
Milton-Milton Junction	17,300	47,865
Monroe County Telephone	552,000	266,727
State Long Distance	111,819	None
Platteville Telephone	60,426	None
Badger State Telephone	None	66,306
United Telephone Company	None	101,400

* Changed to Mid-Plains Telephone.

Toll traffic and rates

TOLL TRAFFIC AND REVENUE (Wisconsin Telephone Company Only)			
Year	Toll Messages		Total Toll Revenues (000)
	<u>Intrastate</u>	<u>Interstate</u>	
1960	38,482,235	16,205,772	\$41,464
1961	39,880,573	16,889,031	41,643
1962	40,109,630	18,180,552	46,263
1963	42,938,312	19,477,955	49,350
1964	46,824,630	21,643,222	54,337
1965	53,237,310	24,756,717	61,290
1966 (6 mo.)	28,159,172	13,152,025	33,179

Toll revenues are steadily increasing, as the above tabulation shows:

in spite of the increasing extended-area service obviating much short-haul toll traffic.

in spite of an estimated \$1,200,000 annual savings to Wisconsin long-distance telephone users, resulting from extension of time available for Family Plan calls. In 1957 Wisconsin was the first state in which the bargain rate of 10 minutes for the price of five applied. As negotiated by the Commission with the Wisconsin Telephone Company, beginning June 15, 1965, such rates are in effect from 8 p.m. (one hour earlier than previously) and all day Sunday. This means that any subscriber can make a station-to-station call to any point within the state for a maximum of 45 cents for three minutes and 75 cents for 10 minutes.

in spite of \$800,000 annual savings to customers from application of "Tel-a-Visit" rates, effective beginning June 7, 1966. As offered by Wisconsin Telephone Company and Wood County Telephone Company, a \$15 per month rate, applicable to intrastate calls, will be available to 1-party residence customers in exchanges equipped with automatic number identification equipment which records the number of the calling party without an operator coming on the line. Between the hours of 5 p.m. and 7 p.m., and 10 p.m. weekdays, subscribers can dial Wisconsin

exchanges having direct inward dialing. Saturday and Sunday service is available except from 7 to 10 o'clock in the evening. The rate, which has been in effect on a trial basis at Oshkosh, Waukesha, Manitowoc, and Watertown, is the first of its kind in the nation.

Community Antenna Television (CATV)

When the Public Service Commission, on October 6, 1965, accepted and placed on file Wisconsin Telephone Company rates for facilities for CATV, it did not take jurisdiction over CATV service as such. Those filed rates apply to circuits rented by a CATV company, but not to rates charged the public by the CATV company.

WATER UTILITIES

Increased costs and rates

One of the reasons that water utility costs and, therefore, rates continue to rise is that service demands by new customers is on the periphery of municipal boundaries, which themselves have been stretched by annexation. As water mains extend out from the older, central part of the city, lot frontage tends to increase which means more main per customer, water supply and storage for the area, and operation of the extended plant.

For example, a water utility granted a rate increase in September of 1965 had augmented its investment in plant by 332% since the previous rate revision in 1953, but the number of customers had advanced by only 181%.

Or take Green Bay water utility's authorized \$3,200,000 plant additions to meet increased demand partially accounted for by large annexations to its service area. The project included feeder mains to eliminate flow deficiency in the town of Preble area annexed to the city.

In view of the increased costs of extending service beyond city limits, many water utilities impose a surcharge on such service. Appleton's surcharge was increased from 25% to 40%, giving consideration to

the fact that customers beyond city limits, not sharing in the cost of public fire protection, should not benefit from the advantage to general service resulting from joint costs shared by general and public fire-protection service. Other factors in the justification of such surcharge include the greater distances from central city facilities, increased maintenance and meter reading costs, and possibly greater average demand than experienced in older established residential areas.

Then too, water supply is sometimes a problem. Again taking Appleton as an example: By telegram on June 29, 1966, the Commission authorized use restrictions applicable when voluntary curtailment did not relieve water supply emergency situations. The authorization was later extended until the time when the utility acquires additional facilities and supply. A contemplated transmission line from Lake Winnebago would probably require two or three years for construction.

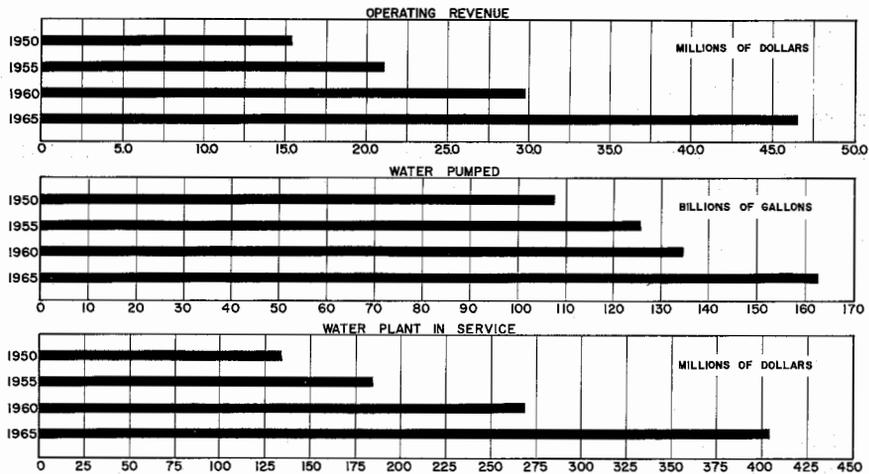
The Greendale water utility was faced with a dropping water table and a mounting demand so great that village placed restrictions on new building construction until it secured additional water supply. The utility elected to buy water wholesale from the Milwaukee water utility which uses Lake Michigan water.

The village of Brown Deer also switched from wells to wholesale supply from Milwaukee.

Construction of new plant

Not all construction is completed under the biennium's certificates authorizing plant estimated to cost \$26,037,159. In addition, millions of dollars are expended, chiefly for mains, and approved under the Statutes and Commission rules, by other than formal certificates of authority.

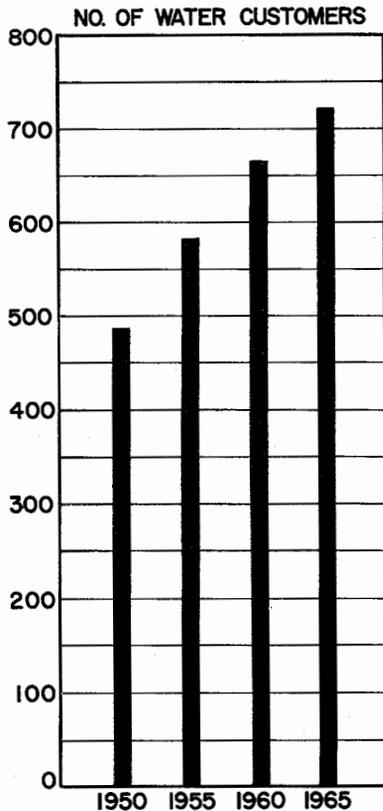
WISCONSIN WATER UTILITIES



Saukville water utility was denied authority to construct a 500,000-gallon elevated reservoir with special piping so that the lower 250,000 gallons would be exclusively available to one industrial plant, with the remainder mutually available to said plant and the utility. Such service would constitute a discriminatory practice if not offered to all customers having like characteristics, an offering of service which would be economically unsound.

Service beyond city limits--Annexation

In the July 1, 1964-June 30, 1966 period, there were several orders dealing with requests for service beyond municipal boundaries. Among them were cases in which the Commission found that previous service in the area



indicated that the utility had held itself out to serve, and had an obligation to serve in that area.

The Racine water utility was ordered to furnish water on a temporary basis to an apartment building in the town of Mt. Pleasant. The city had declined to consider said service until the settlement of a controversy relating to annexation of the town by the village of Elmwood Park. Jurisdiction was retained, pending final order, but the proceeding was dismissed when the city council voted to supply water to the area including the apartment building and stated that it would so proceed without waiting for any order from the Commission.

The Appleton water utility was ordered to make water service available to the premises of Our Redeemer Evangelical Lutheran Church of Appleton in the town of Menasha. A December 3, 1958 resolution adopted by the city council read in part:

... that any extension of water service outside the City of Appleton be ordered only by the common council ... and that in the future all such extensions be decided on individual merit as related to problems of annexation.

However, on January 7, 1959, the city council agreed to serve a University Extension site in the town, service involving main in Midway Road on which the church property also abuts. The Commission's September 15, 1964 order requiring service to the church premises was affirmed by the July 15, 1966 decision of the Circuit Court for Dane County.

On the other hand, the Commission dismissed a petition for water service of Oconomowoc City utilities to a building in that portion of the village of Oconomowoc Lake where the city has, by ordinance and consistent withholding of service, made it clear that it is not willing to serve. Previous service to Deer Park Lanes, Inc., the petitioner, in the so-called "15-year area" which under the terms of an agreement between the city and the village, is subject to annexation to the city in 1967, does not constitute a holding out to serve in the involved adjacent area not subject to annexation.

The Commission also dismissed a complaint regarding La Crosse water utility's refusal to serve premises located in the town of Shelby. Applicant claimed his lot abutted on Losey Boulevard, in which a water main is located, by virtue of a six-foot-wide driveway running 160 feet from the boulevard to the principal part of the property involved. While a 1961 Commission order had stated that

the La Crosse water utility has an obligation to furnish service to premises abutting on existing mains in the town of Shelby

it was intended that "abutting premises" include only lots or parcels whose entire frontage touched the street in which main was located. (In the Racine and Appleton cases cited on the previous page, service was ordered to premises abutting streets in which main was laid.)

Chapter 509, Laws of 1965, effective January 15, 1966, amends section 66.069 (2), Statutes, to provide that a village or city may, by ordinance

delineate the area within which service will be provided and the municipal utility shall have no obligation to serve beyond the area ... No such ordinance shall be effective to limit any obligation to serve which may have existed at the time the ordinance was adopted.

The new law also provides that

service outside its corporate limits to property used for public, educational, industrial, or eleemosynary purposes shall be deemed to fix the nature and geographical limits of said utility service ...

Resale of water

The Milwaukee water utility was ordered to adopt a rule prohibiting resale by customers not previously engaged in such practice. Customers permitted to resell water are required to install and maintain distribution facilities meeting all regulations, and based on readings of accurate submeters, to charge no more than the customer would pay as a direct retail customer of the Milwaukee utility. (Milwaukee Board of Harbor Commissioners and wholesale customers were exempted from the rule requirements.) The order was affirmed in Dane County Circuit Court.

SEWER UTILITIES

A total of 98 sewer utilities are combined with the municipal water utility into a single utility and, as such, their service and rates are subject to Public Service Commission jurisdiction. However, under section 66.076 (9), Statutes, the Commission is required to investigate customer complaints on rates or practices of a sewerage system whether or not it is combined with the water utility. Three such cases of the latter type were settled during the biennium.

Allocation of costs to various types of customers resulted in reasonable and just rates being ordered to be substituted for the previously discriminatory rates.

Two schools and a convent claimed their bills were excessively higher than residential charges based on 50% of the water bill. For example, with rates to schools based on 70 cents per pupil, St. Matthew's School sewerage bill was \$210.70 in a quarter when the water bill was \$41.36. The village of Campbellsport was ordered to charge 70% of the water bill, and \$2 for each additional unit of service on a meter, to apply to residences, commercial units, and public authorities. Industrial sewerage rates were revised from 50% to 70% of the water bill except for two companies with stated quarterly charges.

Under the \$650 annual rate decrease ordered for Winter Sanitary District No. 1, the joint school district's annual sewerage bill will be \$820, or \$570 less than previously paid.

Mayville residential customers, according to the rate revision ordered, will pay 70%, instead of 80%, of the water bill, while sewerage charges to a cheese company will be increased under a different type of rate.

SECURITIES--ACCOUNTING--UTILITIES

Security Issues

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

During the biennium covered by this report, the Commission considered 62 applications and granted authorizations to issue \$159,528,067 par or face value of securities. Proceeds from the sale of such securities, exclusive of corporate issuance expense, aggregated \$160,089,747. Classification of these amounts by types of securities is shown below:

<u>Type of security</u>	<u>Par or face value</u>	<u>Proceeds</u>	
		<u>Amount</u>	<u>%</u>
Common stock	\$ 88,023,392	\$ 88,426,142	55.2
Preferred stock	-	-	-
Bonds and other debt . . .	<u>71,504,675</u>	<u>71,663,605</u>	<u>44.8</u>
Total	<u>\$159,528,067</u>	<u>\$160,089,747</u>	<u>100.0</u>

About 87% of these security issues was to supply new capital to the utility industry of the state to finance construction of plant facilities, as is indicated in the following tabulation:

<u>Proceeds used for</u>	<u>Amount</u>	<u>%</u>
Construction	\$138,831,039	86.7
Refunding of outstanding securities . .	5,750,176	3.6
Stock dividends	13,551,900	8.5
Merger or acquisition of property . . .	<u>1,956,632</u>	<u>1.2</u>
Total	<u>\$160,089,747</u>	<u>100.0</u>

In authorizing the issuance of securities of public service corporations, the statutes require that the Commission must find that the financial condition, plan of operation, and proposed undertakings of the corporation are such as to afford reasonable protection to purchasers of the securities to be issued. In making such a finding, the Commission must consider the statutory requirement that the amount of securities of each class

which any public service corporation may issue shall bear a reasonable proportion to each other and to the value of the property. This means that the relative amount of senior securities which may be issued must be reasonable in relation to the common stock equity of the corporation.

Accounting

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

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

In recent years, a number of new utilities have been established consisting of municipally owned water or joint water and sewer utilities, privately owned gas distribution utilities, and privately owned water utilities constituted in connection with building development projects. Advice and assistance has been offered to these utilities in establishment of accounting records required under the Uniform System of Accounts and development property records allocating the plant investment to the proper utility plant accounts and determining retirement units and average costs for use in recording future retirements of utility plant.

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

In this connection, the Commission during the biennium issued a decision (2-U-6187) with respect to transactions between Teletronics Communication

Services, Inc., a service subsidiary of Universal Telephone, Inc., and the various telephone operating subsidiaries of Universal Telephone. In its decision of January 6, 1966, the Commission found that the charges by Teletronics to the operating companies should not exceed the cost of furnishing the services, that approval of the contract should not be deemed as a determination that the charges thereunder are just and reasonable, that any charges found not to be just and reasonable should be charged to Non-operating Miscellaneous Income Deductions and that advances from operating companies to Teletronics should not exceed two times the current month's billings. The order of January 6, 1966 also determined that the amount of \$162,046, comprised largely of charges by Teletronics, should be eliminated from the telephone plant accounts of the operating telephone companies and recovered from Universal Telephone, Inc. A supplemental order of July 8, 1966 found that the amount of \$86,359 paid to Teletronics in 1965, and included in the telephone plant accounts of the Wisconsin operating subsidiaries of Universal Telephone should be eliminated from the plant accounts thereof and recovered from Universal Telephone. By such accounting procedures, the telephone subscribers of the Wisconsin utilities pay rates to cover only the reasonable charges paid the affiliate, and rate bases, on which the rate of return is figured, are reduced.

In prior years, information has been furnished with respect to the Commission's treatment of General Telephone Company of Wisconsin's transactions with affiliated interests. General Telephone Company had filed with the Commission for approval, a contract with General Telephone Directory Company for sales and publishing of telephone directories. In its decision of December 13, 1965 in Docket No. 2-U-5519, the Commission approved such contract with the provision that the amounts paid to the Directory Company includible in telephone operating expenses should not exceed the cost of the Directory Company's services including not to exceed 15% per annum on the average book value of common stock of the Directory Company allocable to the business done for General Telephone Company. The order provided that any payments in excess of such amount should be charged to Non-operating Miscellaneous Income Deductions. This decision was appealed and is presently before the Circuit Court of Dane County.

Depreciation Rates

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

Utilities are classified according to annual gross income and the Commission has certified depreciation rates for Class A and B electric, gas, water, and telephone utilities representing the classes having the greatest amount of gross income. However, depreciation rates for the Class C and D utilities have not been certified by formal order of the Commission. The depreciation allowances recorded by each of these utilities are

reviewed by the staff when the annual report of the utility is audited. At such time, calculations are made by the staff on the basis of general average depreciation rates, and the utility is informed of the result thereof, together with recommendations as to changes in its depreciation allowances. Through such annual review of the depreciation charges of the small utilities, it is believed that their depreciation practices can be kept reasonably in line without formal certification of class rates of depreciation for each utility.

During this biennium, the investigation of depreciation rates for Class A and B municipal utilities instituted in Docket No. 2-U-5837, September 24, 1962, was completed. Continuing studies are performed with respect to the depreciation rates of the various utilities, and it is contemplated that during the coming biennium, studies will be instituted of the rates of the privately owned Class A and B electric, gas, and water utilities.

The following table summarizes the depreciation rates in effect at the end of 1965 on plant investment as of December 31, 1964, and reflects a composite depreciation rate for the functional classes of utility plant determined from the rates certified for individual companies:

COMPOSITE DEPRECIATION RATES

Class A & B Utilities
December 31, 1964

Utilities	Cost of plant 12-31-64 (Thousands of dollars)	Service life (years)	Net salvage (%)	Annual de- preciation rate (%)
<u>Private Electric Utilities</u>				
Steam production plant	\$ 414,960	38.80	-	2.58
Hydraulic production plant	66,363	62.40	(3.0)	1.65
Other production plant	5,195	23.40	4.1	4.10
Total production plant	<u>\$ 486,517</u>	<u>40.60</u>	<u>(0.2)</u>	<u>2.47</u>
Transmission plant	\$ 159,827	36.30	5.0	2.62
Distribution plant	472,111	33.40	4.4	2.86
General plant	25,726	30.20	0.6	3.29
Total electric plant	<u>\$1,144,181</u>	<u>36.50</u>	<u>2.6</u>	<u>2.67</u>

COMPOSITE DEPRECIATION RATES (Continued)

Class A & B Utilities
December 31, 1964

Utilities	Cost of plant 12-31-64 (Thousands of dollars)	Service life (years)	Net salvage (%)	Annual de- preciation rate (%)
<u>Municipal Electric Utilities</u>				
Steam production plant	\$ 12,874	31.80	0.1	3.14
Hydraulic production plant	1,666	40.80	1.1	2.42
Other production plant	11	15.00	-	6.67
Total production plant	<u>\$ 14,551</u>	<u>32.60</u>	<u>0.2</u>	<u>3.06</u>
Transmission plant	498	32.80	2.0	2.99
Distribution plant	10,038	28.80	3.6	3.35
General plant	622	19.00	2.4	5.15
Total electric plant	<u>\$ 25,709</u>	<u>30.50</u>	<u>1.7</u>	<u>3.22</u>
<u>Gas Utilities</u>				
Production plant	\$ 3,913	27.90	0.7	3.56
Storage plant	2,112	17.20	(2.9)	5.99
Transmission plant	1,419	42.30	(1.1)	2.39
Distribution plant	317,401	44.70	(7.9)	2.41
General plant	21,960	29.90	6.2	3.14
Total gas plant	<u>\$ 346,806</u>	<u>42.70</u>	<u>(6.4)</u>	<u>2.49</u>
<u>Private Water Utilities</u>				
Source of supply plant	\$ 501	68.80	-	1.45
Pumping plant	522	47.30	1.6	2.08
Water treatment plant equipment	225	42.70	-	2.34
Transmission and distribution plant	6,043	93.60	(3.1)	1.10
General plant	20	27.90	2.7	3.49
Total water plant	<u>\$ 7,310</u>	<u>82.30</u>	<u>(2.0)</u>	<u>1.24</u>
<u>Municipal Water Utilities</u>				
Source of supply plant	\$ 21,311	71.20	-	1.40
Pumping plant	19,955	32.30	3.8	2.98
Water treatment plant	29,667	46.30	(0.1)	2.16
Transmission and distribution plant	166,099	95.00	-	1.05
General plant	3,439	21.50	1.6	4.58
Total water plant	<u>\$ 240,470</u>	<u>69.40</u>	<u>0.7</u>	<u>1.43</u>

COMPOSITE DEPRECIATION RATES (Continued)

Class A & B Utilities
December 31, 1964

Utilities	Cost of plant 12-31-64 (Thousands of dollars)	Service life (years)	Net salvage (%)	Annual de- preciation rate (%)
<u>Telephone Utilities</u>				
Buildings	\$ 62,383	42.60	2.4	2.29
Central office equipment	192,642	21.50	6.0	4.37
Station apparatus and PBX	83,076	14.29	4.9	6.66
Station connections and outside plant	300,316	22.50	(10.7)	4.91
General equipment	8,325	16.20	14.1	5.29
Total telephone plant	<u>\$ 646,743</u>	<u>21.50</u>	<u>(1.7)</u>	<u>4.73</u>

() denotes red figure.

Death of Department Head

Asel R. Colbert, an employe of the Commission since 1931 and Director of the Accounts and Finance Department since 1935, died suddenly on March 18, 1966. Mr. Colbert, during his career, was active in the affairs of the National Association of Railroad and Utility Commissioners, and had appeared numerous times before regional and national conventions, served as Chairman of its Committee on Depreciation for many years, and was Chairman of the Accounting Committee since 1950.

During the past 30 years, he was a leader at both state and national levels in matters involving utility plant original cost studies, uniform systems of accounts for public utilities, depreciation methods and procedures, taxes, cost of capital, and rate of return. He was respected by regulators and regulated alike for his knowledge, integrity, and devotion to duty and was considered by all as a valiant and articulate champion of responsible, sound regulation in the public interest.

WATER POWERS

History

The functions of the Public Service Commission which are related to water include public utility aspects as well as those regulatory functions related to the whole spectrum of public rights embodied in the phrase "navigability of surface waters."

Of these two natural groups, the first involves the highest use to which water is put--that of sustaining the life of man. Water utilities, in Wisconsin almost entirely in public (municipal) ownership, are subject to full utility regulation (see Water Utilities, pages 21-24).

One other utility regulatory function is of great importance as it relates to water resources. The utility enterprises subjected to regulatory controls by the 1907 Legislature included the then infant electric industry whose chief source of power depended on falling waters. In 1909, a special legislative committee was created "to investigate the subjects of Water Powers, Forestry and Drainage in the state and to recommend such legislation relative thereto as it deemed advisable."

Examination of the committee report leads inescapably to the conclusion that the purpose of the Water Power Act, enacted in 1911, 1913, and 1915, was to encourage the development of water power to the fullest extent while yet preserving the public interest in waterways as required under the Wisconsin Constitution and the Northwest Ordinance of 1787.

Today, after fifty years, hydrogeneration of electricity is still an important factor in the economics of the power industry in Wisconsin. Further, as exemplified by the December 6, 1965 Federal Power Commission's Report to the President on the Northeast Power Failure, hydroelectric generation has a vital role to play. In the case of absolute failure of an electric system, which occurred in the Northeast Blackout, restoration of service is vastly simplified where hydroelectric facilities are available. Certain other technical advantages are also inherent in hydro plant.

Predating the Constitution of the United States by two years, the Northwest Ordinance of 1787 provided that the navigable waters flowing into the Mississippi and St. Lawrence Rivers were to be forever free public highways. From this Ordinance evolved the trust doctrine stated as: "The State holds in trust the title to the beds of navigable waters for the use of the public, subject only to the condition that, in the case of navigable streams, the riparian owner has a qualified ownership interest to the bed extending to the center thereof."

From territorial days until 1915, the Legislature itself administered the trust. When, in 1915, the administrative function was assigned to the Public Service Commission, the interest in water power development appears to have been dominant.

Due chiefly to increasing population, and the increased demands of that population on water resources, the dominant interest today is the preservation of public rights in navigable waters.

Recreational and scenic value

The significant change in the number of dams is not in the totals (36 more in 1966 than in 1960), but in the indicated differences in use: The number of public utility dams under 750 theoretical horsepower is just over half of the 1960 figure (a decrease from 66 to 35); most of that difference has gone into the 310-to-385 increase in dams used for recreation.

STATE OF WISCONSIN DAMS				
Function of Dam	1960	1962	1964	1966
Public utility dams over 750 THP -----	53	53	58	58
Industrial power dams over 750 THP -----	16	16	16	16
Private power dams supplying all or partial power to utilities over 750 THP -----	10	11	9	9
Dams owned by United States Government used for power -----	10	9	9	9
Dams owned by cooperatives* -----	5	5	2	2
Public utility dams under 750 THP -----	66	60	45	35
Dams supplying electric power to utilities under 750 THP -----	11	7	7	7
Private power dams under 750 THP -----	87	64	51	51
Dams used for storage reservoirs -----	30	30	30	30
Dams used to control levels of lakes--No power -----	197	201	226	229
Dams used for recreation--No power -----	310	345	372	385
Industrial dams--No Power -----	78	78	78	78
Drainage ditch control dams -----	206	206	206	206
Totals	1,079	1,085	1,107	1,115

* Dams owned or leased by cooperatives.

Where electric utilities have found the operation of small dams uneconomic, title to the dam has frequently been transferred to a municipality which perpetuates the pool of the dam and the park and recreational facilities developed around it.

Some of the dams controlling lake levels (the only other category of dam showing a substantial increase) are for the benefit of riparian real estate developments.

Also frequently associated with real estate developments or the improvement of personal property are:

Dredging contracts, usually for improvement of shoreline. During the biennium, 85 such contracts were granted.

Sand blanket permits for beaches. Permits issued during the biennium, 241; denied, 48.

Permits for enlargement of waterways, 88 of which were issued in this biennium as compared with 67 in the previous biennium. One of the standard conditions attached to each such permit is that it shall be exercised so as not to result in pollution of the lake or stream involved.

The purpose of water resource regulation is to serve the public interest by controlling the competing uses of Wisconsin's thousands of miles of navigable streams and rivers and the over 8,800 lakes and boundary waters of the state.

Numerous instances where a private project was against the public interest were included in the 364 formal water power cases opened from July 1, 1964 to June 30, 1966. Sometimes a permit was denied; sometimes a permit was conditioned on the compliance with requirements designed to protect the public interest. A few examples:

A permit was denied for a private bridge which would have obstructed water flow, damaged bass-spawning beds, and destroyed the natural scenic beauty in the Green Bay area.

A permit was issued for a 12- x 20-foot boathouse in Alder Lake. The proposed 28- x 34-foot structure would have been detrimental to the public interest.

The Commission denied an application to establish a summer level for Lauderdale Lakes 5 inches higher than previously authorized. Riparian land of objects would have been flooded and eroded.

A realty corporation was ordered to remove illegal fill from Ford's Bay which is part of Lake Monona. Under Wisconsin's "trust doctrine," the State has title to the bed of navigable lakes, and the fill is an appropriation of the lakebed and a violation of section 30.12, Statutes.

Water use--Industry

In issuing a permit for the enlargement of the waterway of Chippewa River, associated with a sand-and-gravel excavation project, the Commission retained jurisdiction to require openings through embankments, if necessary for fish movement, and also to insure that any subsequent development of land along the waterways, which may involve sewage-seepage disposal through the ground, conform to legal requirements for platting of land and sanitation.

and Water use--Agriculture

The bulk of the biennium's 52 permits to straighten a stream course were issued to farmers seeking protection from flood water and erosion of valuable cropland.

On June 30, 1966, there were 176 active irrigation permits. The first permit was issued in 1949. By 1955, there were only 16
1959 ----- 143
1964 (June 30) ----- 157. Permits limit diversion to stated yearly periods for described tillable areas at specified maximum rates.

Consideration is given to use of stream by power companies and to fishery resource (Conservation approval of the diversion is required when the stream is listed as a trout stream).

On three occasions in 1965, the Commission found that the Statutes did not require a permit for diversion of surplus water for irrigation for cranberry culture. Applicants, however, were to construct outlet control sections whose crest, being at the elevation of the minimum stage in the creek, would insure that only surplus water was diverted.

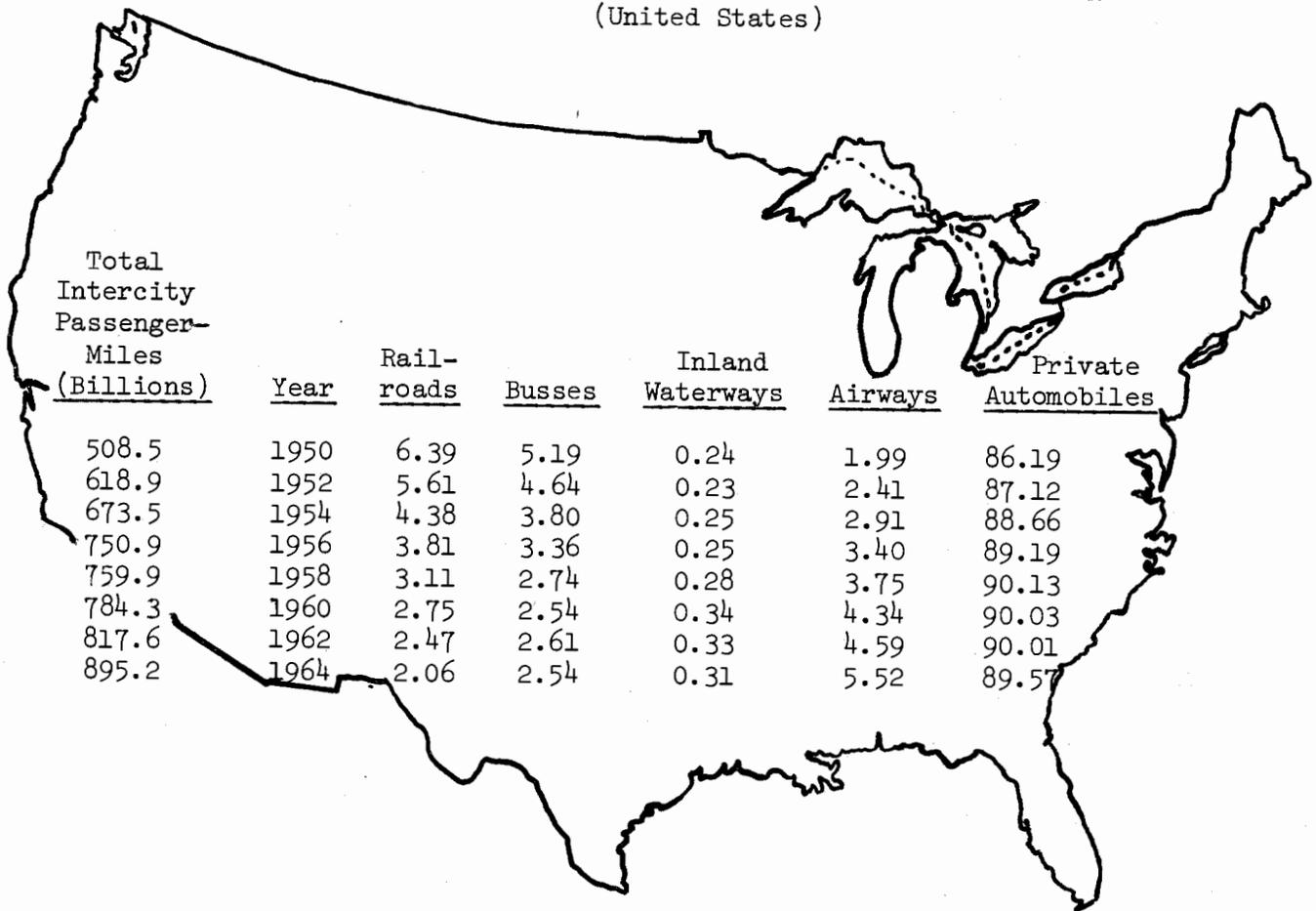
Laws of 1965

As of July 1, 1967, according to Chapter 614, Laws of 1965, the regulation of the uses of Wisconsin waters (Chapters 30 and 31 and isolated sections of the Statutes) passes from the Public Service Commission to the reconstituted Department of Resource Development. In general, the jurisdiction retained by the Commission relates to use of water resources by public utilities.

TRANSPORTATION--PASSENGERS

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

TOTAL VOLUME AND PERCENT DISTRIBUTION OF
INTERCITY PASSENGER-MILES BY KIND OF TRANSPORTATION
(United States)



As the above compilation shows, the private automobile is the prime passenger carrier in intercity travel. Of public carriers, only the airways (not under Commission jurisdiction) show increased use.

The retrenchment in railroad passenger trains and services continued in the biennium, but materially slowed as service approaches a basic minimum on routes, and their tributaries, supported by considerable traffic volume.

Passenger trains--Mail traffic

The previous Report (1962-1964) mentioned that a Public Service Commission staff representative participated in a House Committee Conference with postal authorities in Washington, D. C. It was urged that consideration be given to retention of mail traffic on trains where its removal would likely render train operation grossly uneconomical and subject to discontinuance.

Each of the four service discontinuances here reported involves passenger trains having a low level of patronage, but substantial allied revenues from mail. Upon transfer of mail to highway transport, by action of the Post Office Department, uneconomical operation of trains resulted in their discontinuance being authorized.

The Wisconsin Commission authorized the Milwaukee Road to discontinue night trains Nos. 217 and 256 between New Lisbon and Wausau. HOWEVER, another brace of trains more favorable to passenger traffic remains in operation between said termini in connection with main line Hiawatha trains. Said brace of trains is ordered to operate daily instead of daily-except-Tuesday. Substitute bus service between Tomahawk and Wausau is discontinued as no longer justified by the limited and declining use made of it.

The Public Service Commission participated in Interstate Commerce Commission proceedings concerning discontinuance of passenger train service, part of which was in Wisconsin.

Soo Line Railroad Company discontinued Chicago-Superior-Duluth trains Nos. 3, 4, 5, and 6. The Soo Line no longer conducts any regularly scheduled passenger operations within this state.

The Chicago and North Western Railway Company discontinued trains Nos. 507 and 508 between Madison and Chicago, effective September 6, 1965, ending its virtually century-long passenger services between said points.

The Chicago, Milwaukee, St. Paul and Pacific Railroad Company discontinued trains Nos. 25 and 26 operated between Milwaukee and Savannah, Illinois.

Passenger busses--Express service

The Madison Transit Advisory Committee, composed of the City Traffic Engineer, the president of Madison Bus Company, and a member of the Commission staff, helped plan and put into operation express bus service in the city of Madison. Portions of the express routes go into areas not previously offered bus service.

The bus company is authorized to add 5¢ and 10¢, inbound and outbound, respectively, to the regular fares, for this express service which, depending on the route, operates between seven and ten trips each way daily except Saturdays, Sundays, and holidays.

The first of the Madison express busses (the so-called Buckeye Express) began operation on February 23, 1965 between the east side Stoughton Road area and downtown. Average daily riding for the first week of operation, 145 persons, increased to 270 for the first week in August 1966.

The second (Orchard Ridge Express between the far west side and downtown Madison) increased its average daily riding from 80 for the first week of operation (October 1-8, 1965) to 111 for the first week of August 1966.

The third (Lakeview Express between the Central Colony area in the north part of the city and downtown Madison) increased its average daily riding from 109 for the first week of operation (February 7-14, 1966) to 189 for the first week in August 1966.

URBAN BUS SERVICE		
Year	Passengers (in thousands)	Vehicle Miles
1950	294,348	54,569
1952	231,291	51,349
1954	185,288	46,000
1956	156,806	40,066
1958	135,324	36,712
1960	130,939	35,356
1962	119,065	33,881
1964	110,223	32,758
1965	110,874	32,549

Milwaukee's two Freeway Flyers, operating only on weekday rush-hour periods, are estimated to save 20-25 minutes travel time as compared with regular transit routes.

Patronage of the Mayfair Freeway Flyer has grown from an initial average daily riding of 290 in April of 1964 to a July 1966 figure of 800.

In this biennium, a second Freeway Flyer was put into operation between the Bayshore Shopping Center in Glendale and downtown Milwaukee. Beginning service in November of 1965, its average daily riding has progressed from 270 to 470 in July 1966.

As authorized by the Commission, Milwaukee & Suburban Transport Corporation adds 5¢ to the regular fare as a premium charge for express service.

Passengers may park their cars, without cost, in the terminal Wauwatosa and Glendale shopping centers.

The disappearance of trackless trolleys

On June 21, 1965, trackless trolley service in Wisconsin ceased, for on that date Milwaukee & Suburban Transport Corporation's operations were completely converted to motor busses. The conversion had been gradual over a period of several years, and when the end came, the youngest trackless trolley was 17 years old and approaching the limit of its usable life.

The national trend has been from trackless trolleys (which, in fact, are no longer being built) to self-propelled motor busses with their greater flexibility of operation and more economical operation and maintenance.

TRANSPORTATION--PROPERTY

Milwaukee area--Common motor carriers

Intrastate service is afforded the city of Milwaukee by 25 common motor carriers, 22 of whom requested that a Milwaukee terminal area be defined. Several applications for additional authority were granted in part and a group of certificates were amended to include an entire municipality, part of which had been served under the "one-mile pickup and delivery" rule deleted, as regards Milwaukee County, in a January 1965 revision of the Wisconsin Administrative Code.

The opinions in a group of June 11, 1965 orders states:

If the Commission were to define boundaries of a terminal area as requested, the carriers either would not be able to serve the entire [Greater Milwaukee] area with the same restrictions applicable, or a major disturbance in the competitive position of a number of common carriers serving Milwaukee would result.

It may be that a broader terminal area would be desirable and that the carriers involved will be able to formulate a plan to make such action possible.

Milwaukee area--Household goods--Rates--Local cartage

The maximum time chargeable to driving between carrier's office or garage and the shipper's premises is increased from 15 to 30 minutes when the transportation of used household goods and office furniture is within the Milwaukee Metropolitan Area as defined by the Wisconsin Administrative Code (section PSC 16.51 (2)). The 15-minute maximum time established in 1939 is not realistic in the Milwaukee area as now expanded and defined.

In another Administrative Code change, an amendment to section PSC 16.31 (1) (i), relating to exemptions from rate and tariff rules, clarifies "local cartage" in the Milwaukee area by naming the cities, villages, and towns included in the area.

Household goods--Temporary surcharge on transportation

Temporary surcharges of \$7 and \$3.50 for truckloads and l.t.l., respectively, were granted for long-distance (other than local) movements of used household goods and business equipment. The surcharges are authorized on a demonstrated need for additional revenue, until such time as the contract motor carriers are prepared to justify the larger rate increase originally requested. Final decision has not been made in this Docket No. MC-1753.

Petroleum products--Minimum rates--Contract motor carriers

Revised minimum intrastate rates for hauling petroleum products reflect the shift in the cost pattern since the original 1957-1958 prescription of rates in the Wisconsin Administrative Code (section PSC 16.35). Since then terminal costs have been reduced due to greater truck capacities and other equipment improvements, while line haul costs have risen due to increased wages and prices.

The new minimum rates authorized by a March 22, 1965 order are slightly lower for gasoline, naphtha, and jet fuel hauls of 22 1/2 miles or less. Rates of liquefied petroleum gas are unchanged. The authorized increase in other minimum rates ranged from 1% for lesser distances to 10% for distances in excess of 67 1/2 airline miles.

For the first time, a 3% reduction was introduced to apply to "around-the-clock rates" allowing the carrier continuous loading and unloading opportunities. The convenience and fuller use of equipment afforded truckers by this arrangement account for cost savings on a mileage basis, especially as to equipment depreciation, vehicle licensing, and registration fees.

Common motor carriers of property--Shift from long-haul, key-point operation

In recent years, there have been a number of assignments and partial assignments of authority held by common motor carriers of property, mostly to other existing intrastate common carriers.

There has been an apparent tendency to shift from the long-haul, key-point type of common carrier hauling to the short-haul distribution type of operation. In a number of instances, the assignments have involved only the intrastate traffic, while the long-haul interstate authorities were retained by the assignors.

Motor carrier regulation--Investigators

In this biennium, 4,853 investigations were made, entailing 229,702 miles of travel, and disclosing 2,195 violations requiring corrective measures. Besides testifying at many Public Service Commission hearings, the five staff investigators also assisted Motor Vehicle Department inspectors; assisted in the filing of 535 applications for new authority or abandonment or deletions of authority; and checked 149 complaints. There were also 97 investigations of operations conducted pursuant to private motor carrier lease agreements filed with the Motor Vehicle Department.

As a result of contacting 251 dairy plant operators concerning truckers who transport their milk, letters were sent to 67 milk haulers advising them that a portion of their operation was performed in excess of their authority.

New laws--Wisconsin--Federal

Chapter 430, effective December 12, 1965, provides that private motor carriers (shippers') trailers and semitrailers may be operated both by shipper and by common or contract motor carriers, upon payment of the appropriate fee. Additional permit and fee are not required for interchange between common and contract carriers of trailers and semitrailers used in railroad piggyback (trailer-on-flatcar) service. (Section 194.04 (3) (a), Statutes, amended.)

Chapter 418, effective December 8, 1965, amended section 194.01 (15) to specifically prohibit lessors from driving vehicles leased to shippers except under arrangements approved by the Commission and the Motor Vehicle Department. In the first order issued after the passage of this law, the Commission said:

From a study of the legislative history of the 1965 law, the Commission is of the opinion that the law intends that approval of lessor's driving the leased

vehicle should be given "only for good and sufficient reason" (such as seasonal hauling for canneries) and not merely because a lessor or lessee seeks such arrangement.

Chapter 416, effective December 8, 1965, exempts from filing fees amendments to certificates or licenses issued pursuant to authority of the Interstate Commerce Commission under Federal Motor Act of 1935. (Sections 194.04 (1) (b) and 194.04 (1) (c), Statutes, amended.)

Effective September 6, 1965, Public Law 89-170 of the Federal Statutes is designed to aid in the enforcement of motor carrier transportation commerce, as well as to eliminate undue burdens on interstate motor carriers occasioned by the multiplicity of various states' requirements.

This Act gives the National Association of Railroad and Utility Commissioners (NARUC) primary and exclusive right to determine uniform standards with regard to the registration of ICC authorities, identification of vehicles, cab cards, insurance filings, and designation of agents. If, within a specified time, the NARUC fails to certify workable standards to the ICC, it becomes the latter's duty to establish such standards.

One Public Service Commission staff member is a member of the Executive Committee of the National Conference of State Transportation Specialists, an arm of NARUC; another serves on the Conference's Rates and Service Committee.

Public Law 89-170 also permits the ICC to establish arrangements with the states to more effectively enforce the regulation of interstate carriers by the free exchange of information and presentation of evidence in the event court action is taken. Heretofore, the ICC was prohibited from divulging any information in its files regarding investigations it had made.

Public Service Commission participation in ICC proceedings--Motor carriers--Railroads--Rates

The Public Service Commission participated in several nationwide rate proceedings held before the Interstate Commerce Commission. The Wisconsin Commission submitted a brief in the proceedings wherein common motor carriers attempted to increase rates and charges on less-than-truckload and any-quantity shipments weighing up to 5,000 pounds transported between points in New England and Middle Atlantic territories on one hand, and on the other, points in Central, Northwest, Middle West (including Wisconsin) and Southwestern territories.

The Wisconsin Commission opposed such increase on the principle that (1) rates must be properly related to cost of service actually performed, (2) the rate increase requested for small shipments could not be justified, and (3) the proposed additional revenue was not necessary for the well-being of the carriers. The January 14, 1966 ICC decision found that the

carriers' proposals were not shown to be just and reasonable, and the rate schedules thereunder were ordered cancelled.

There is still pending a railroad proceeding in which the Wisconsin Commission contends that, except for unusual circumstances, there should be uniform application at all U. S. ports, including Great Lakes seaway ports, of Free Time for In-Car Storage and of Detention Charges applied after the expiration of free time.

Railroad merger proceedings

Although the merging of rail carriers has consistently resulted in substantial operating economies and improvements in service, it nevertheless invariably alters traffic flows and patterns affecting the relative competitive posture of competing carriers. It is the firm belief of the Public Service Commission that benefits to merging carriers, when achieved at the expense of adversities to competing carriers is not consistent with the overall public interest.

The Wisconsin Commission's intervention and position in merger proceedings is generally one of evaluating and determining the ensuing adversity to Wisconsin railroads and either seeking or supporting conditions to the merger such as to afford protection in maintaining revenue levels, competitive ability, and continued adequate service of competing railroads important to Wisconsin.

Great Northern, Northern Pacific, and Burlington & Quincy Railroads, in their recent petition for reconsideration of the Interstate Commerce Commission's denial of their application to merge, now offer willingness to accept conditions sought by the Milwaukee Road and the North Western and actively supported by the Wisconsin Commission. These conditions would greatly strengthen the two Wisconsin railroads' traffic participation in, and competition for, transcontinental freight, and this Commission's interest in the proceeding would be fully satisfied.

Hearings have commenced in the Union Pacific-Rock Island merger application which embraces the North Western's application to control the Rock Island, filed in November of 1963 but dormant during a contested stockholder controversy. The Wisconsin Commission has intervened to protest the Union Pacific merger and, as its interests may appear, with regard to North Western's control application. The proposed merger would vitally affect existing connecting traffic of both the North Western and the Milwaukee Road between Omaha and Chicago.

As intervenors, it is this Commission's position that, although the merger of Chicago Great Western Railway Company into Chicago and North Western Railway Company would benefit the latter, the Soo Line Railroad would be subjected to traffic diversion by an extent that could be detrimental to its rendition of adequate service in Wisconsin. The Chicago Great Western has long been a friendly and working connection with Soo Line in solicitation and handling of joint-line and overhead traffic competitive with the North Western. The proposed merger would alter such traffic pattern. This Commission has filed exceptions with the ICC to its Examiners' Report which recommended merger subject to only a few of the conditions sought. The proceeding is still open, awaiting oral argument and decision.

On June 6, 1966, the North Western Railway and the Milwaukee Road filed joint application to consolidate properties into the Chicago, Milwaukee, and Northwestern Transportation Company, investigation of which is not expected to commence for some time. Because of the confusion and uncertainty involved in evaluating both benefits and adversities of separate, but related and concurrent, merger applications involving North Western, the Public Service Commission has petitioned the ICC for expedited decision in the Chicago North Western--Chicago Great Western merger case (see above) and for consolidation of North Western--Milwaukee Road merger proceeding with the Rock Island applications or, in the alternative, postponement of one or the other pending North Western applications.

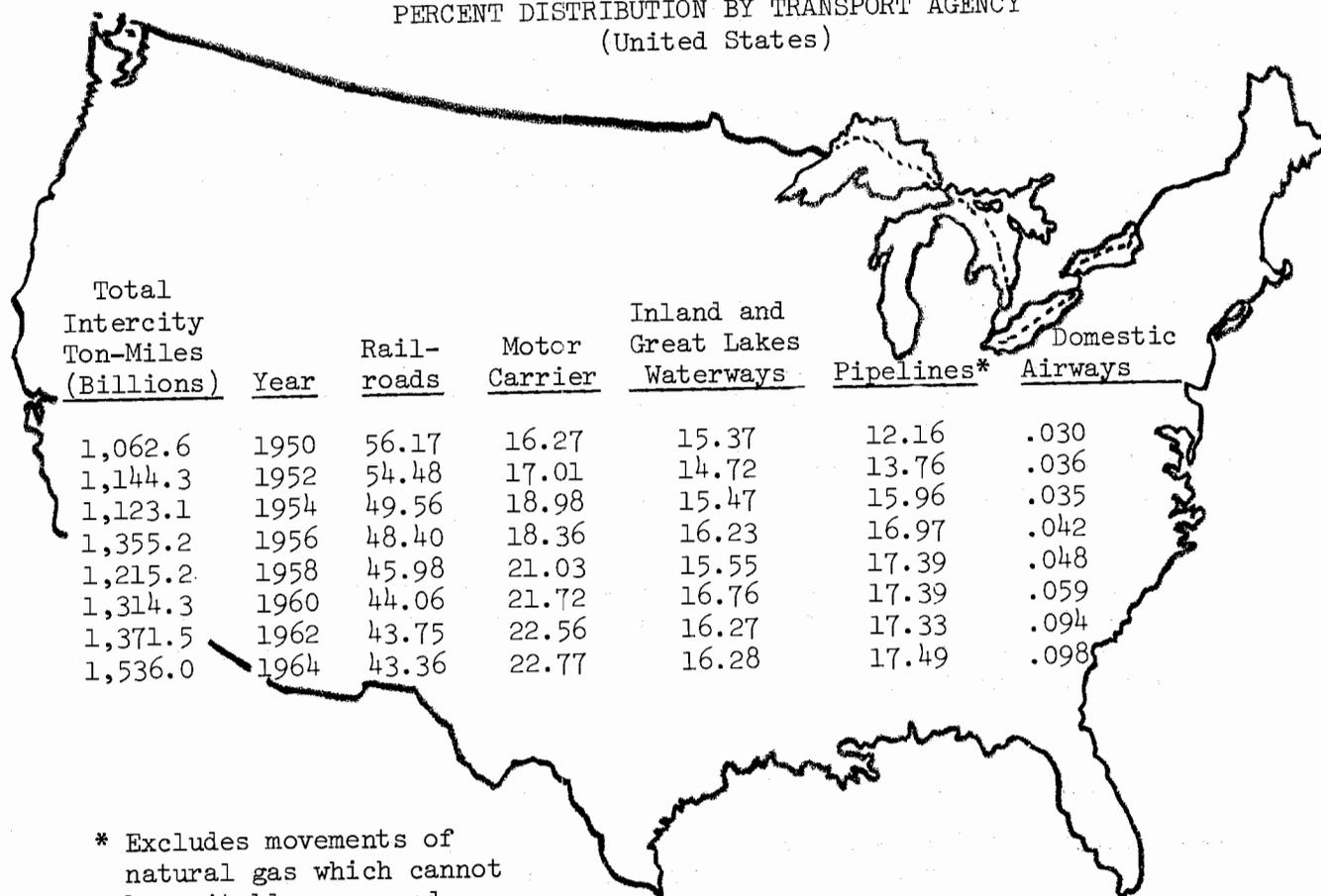
The legislative intent of Chapter 194, Statutes, the so-called Motor Transportation Act passed in 1933, was

to supervise and regulate the transportation of persons and property ... so as ... to carefully preserve, foster, and regulate transportation to the end of developing and preserving each separate type of the transportation system by highway and rail to meet public needs. (Emphasis supplied)

These broad principles have been applied to many specific changes in public needs and corresponding changes in transportation methods and trends.

The movement of freight is a highly competitive industry, with Wisconsin traffic closely following the national pattern shown in the table below. Railroads, while still the major freight carrier, are experiencing a decline in the percentage of total traffic. Several strategies are employed to operate more economically and to attract traffic.

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



* Excludes movements of natural gas which cannot be suitably measured.

Central agency plan--Soo Line Railroad

Third of the Wisconsin railroads to institute Central Agency Plans, the Soo Line Railroad, as authorized by a September 18, 1964 Commission Order, assigned 108 stations to 11 freight service centers, offering pickup and delivery of l.c.l. shipments at 54 open stations. Depots are to be removed at all open stations except Butternut, Mellen, Glidden, and Marengo which will continue to have local agency service to facilitate

pulpwood shipments. Traveling agents from 14 headquarters will personally call upon customers daily, or as often as necessary, for adequate service.

It is estimated that the Soo Line will realize an annual net saving of \$144,000 under the plan designed to provide service equivalent to, or better than, present service. Implementation of the authorization has not been completed because of modifications required in existing labor agreements.

An annual \$132,000 saving is expected from modification of North Western Railway's Central Agency Plan originated in 1959. Contrary to the railroad's proposal, l.c.l. service and depot are ordered retained at Kewas-kum, as justified by traffic; Mason and Cable are retained as central agency stations to facilitate pulpwood shipments; and passenger stops are ordered at the five stations that the railroad had proposed to eliminate from passenger tariffs.

Discontinuance of l.c.l. handling

During the biennium two railroads, the Milwaukee Road and the Chicago, Burlington & Quincy Railroad, were authorized to discontinue handling l.c.l. freight, with certain exceptions related to l.c.l. on same car with carload shipments, quantities of 6,000 pounds or more, trap cars, and returnable materials such as pallets, bracing, paper cores, and the like.

Severe declines in intrastate l.c.l. traffic have resulted from discontinuance of such service interstate, and intrastate by other connecting railroads, drastically affecting interline l.c.l. traffic of those carriers continuing the service.

Piggyback service (Trailer-on-flatcar operation)

Here again, when intrastate movements, and movements into and out of the state are studied, the traffic picture indicated by the U. S. figures, below, is similar to that in Wisconsin.

<u>Year</u>	<u>% Increase Over Previous Year</u>	<u>% of Total Rail Carloadings</u>
1958	--	0.9
1960	33.0	1.8
1962	19.5	2.5
1964	11.6	3.1
1965	15.8	3.5

Piggyback operations continue to expand and even further growth is expected. A limited, but possibly significant proportion of piggyback traffic was formerly handled for large shippers in rail l.c.l. which numerous

railroads are in the process of discontinuing. The costly aspects of less-than-carload freight, such as freight house handling and facilities, are eliminated with piggyback and containerized handling.

Railway Express Agency, Inc.--Motor carrier routes

Significant enlargement of common motor carrier route authority was granted to Railway Express Agency, Inc., during the biennium. The discontinuance of passenger trains that formerly transported express traffic was the principal factor necessitating substitution of the vehicular for railroad transportation.

The mode of transport does not alter the characteristics of express, as differentiated from general freight handled by common motor carriers, nor the public need and use of express service.

RAILROADS--SAFETY

According to section 195.28, Statutes, the cost of crossing protection is apportioned between the State and the railroad, with the State's portion never exceeding 70% of the actual cost of the project. During the biennium, orders were issued requiring improved protection at 81 crossings at a railroad-estimated total cost of \$1,101,627, with the State's share estimated to be \$650,460.

Federal projects authorized consist of 21 highway overpass structures (practically all dual facilities), 4 highway underpass structures, and installation of signals at 14 crossings.

HIGHWAY-RAILROAD CROSSINGS in Wisconsin	
<u>Protection</u>	<u>1966</u>
Statutory signs* -----	6,447
Flagman -----	9
Gates -----	152
Bell -----	103
Wigwag -----	513
Flashing lights -----	988
Highway overhead -----	463
Highway underpass -----	419
Total	<u>9,094</u>

*Unprotected.

Most of 6,447 unprotected grade crossings are in open country and subject only to light traffic.

When new or improved crossing protection is being considered, staff members of the Commission's Engineering Department study such particulars as angle and grade of crossing; traffic counts; any previous accidents at the crossing; speed of trains and legal speed of vehicular traffic; traffic patterns, including use of the street or highway involved as to schools, churches, and fire-fighting equipment; and obstructions to the view of approaching trains.

For example, a flashing-light signal cantilevered over the street was ordered to correct a situation where the view of the signal was obstructed by parked large trucks. The same order required improved circuiting to eliminate unnecessary operation of crossing signals.

Track clearance standards

Effective March 1, 1965, Wisconsin Administrative Code rules restated track clearance standards for curved tracks and vertical clearances with overhead structures.

Improved technology and design of railroad cars, substantially wider and longer than previously constructed, result in additional hazards to railroad employes due to overhang where a track curvature is involved. Modern operating conditions and equipment prompted new rules to provide for adequate clearances between a railroad track and an adjacent structure and between adjacent and parallel tracks.

Reflectorized switch lamps

The substitution of reflectorized switch markers for oil burning lamps was authorized within the yard limits of 10 Milwaukee Road stations, but denied as to lamps on or near curves. There was no testimony on the degree, if any, of reflectivity of the proposed reflectorized targets on curves when outside the direct beam of the locomotive headlight.

COMMISSION--ORGANIZATION

The Public Service Commission of Wisconsin is composed of three full-time Commissioners who meet daily to transact Commission business, a secretary, and a staff of 143 persons. The Commissioners are Arthur L. Padrutt, chairman, and Stanley E. Gilbertson and Walter J. Cole.

Personnel

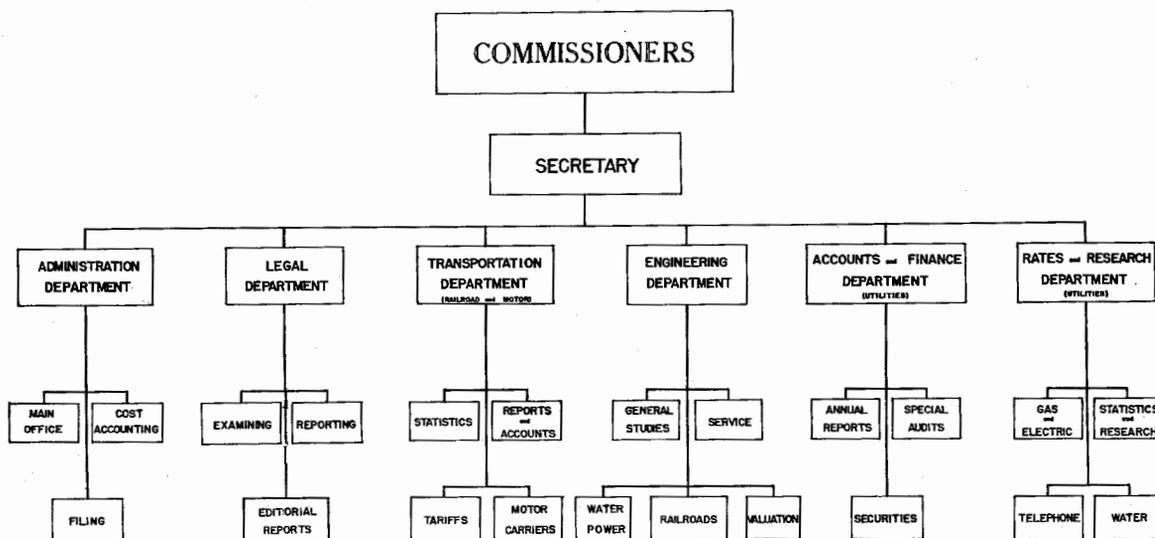
CHAIRMAN ARTHUR L. PADRUTT was born in Huron, South Dakota. In 1939 he received the degree of Bachelor of Science (B.S.) from the Wisconsin State University, Eau Claire, Wisconsin, and for a short time thereafter taught in Wisconsin public schools. Subsequently, he received his LL.B. from the University of Wisconsin and was admitted to the practice of law. He was elected a member of the Wisconsin Assembly for Chippewa County in 1940 and served in that capacity for four consecutive terms. He was the youngest member of the legislature in the 1941 session. In 1948 he was elected to serve in the Wisconsin State Senate and was reelected in 1952. First appointed by Governor Kohler in April 1956 to fill an unexpired term, Mr. Padrutt was reappointed to the Public Service Commission by Governor Thomson for a six-year term expiring in 1963 and again by Governor Knowles for a term ending in 1969. He is a member of the Executive Committee of the National Association of Railroad and Utilities Commissioners and serves as Chairman of its Committee on Training of Commission Personnel. In this capacity he has sponsored a short course in utility regulation presented by the University of Wisconsin Extension Division, School of Commerce, for the past several years. In 1961-1962, he was President of the 12-state Great Lakes Association of Railroad and Utilities Commissioners. Currently, Mr. Padrutt is Vice President of the Midwest Association of Railroad and Utilities Commissioners.

COMMISSIONER STANLEY E. GILBERTSON is a native of Black River Falls, Wisconsin. He attended the University of Wisconsin from 1940 to 1943 before entering the armed forces. He returned to Wisconsin and received a degree from the University in 1947, with a major in accounting. Mr. Gilbertson is a certified public accountant and since 1956 has been in the partnership of a CPA firm. He is a member of the American Institute of Certified Public Accountants and the Wisconsin Society of CPA's. He was named by Governor Knowles to the Public Service Commission of Wisconsin to fill the term expiring 1971. Commissioner Gilbertson is a member of the National Association of Railroad and Utility Commissioners Committee on Nuclear Energy in the Electric Industry.

COMMISSIONER WALTER J. COLE received a Bachelor of Science degree from the University of Wisconsin in 1938 and was graduated from the University of Wisconsin Law School and was admitted to the practice of law in 1940. He served as Platteville, Wisconsin, city attorney and conducted a private law practice there following his graduation from law school. He is a Navy veteran of World War II. He served as deputy to former Attorney General George H. Thompson from March 1964 until he was appointed by Governor Knowles to the Public Service Commission in January 1965 to fill an unexpired term ending in 1967. He is a member of the Executive Committee of the Great Lakes Association of Railroad and Utilities Commissioners and a member of the National Association of Railroad and Utilities Commissioners Committee on Regulatory Procedure.

JOHN F. GOETZ, Secretary of the Commission, was born in Middleton, Wisconsin, and later moved to Madison. He attended the University of Wisconsin Commerce School and received a Bachelor of Arts degree in 1931. He was supervisor of the Cost Accounting Section from 1941 to 1963, and has been a member of the Commission staff since 1933. He is a member of the Secretarial Offices Committee of the National Association of Railroad and Utilities Commissioners.

ORGANIZATION CHART
OF
PUBLIC SERVICE COMMISSION OF WISCONSIN



PUBLIC SERVICE COMMISSION OF WISCONSIN

PERSONNEL

Arthur L. Padrutt, chairman
Stanley E. Gilbertson, commissioner
Walter J. Cole, commissioner
John F. Goetz, secretary

Administration Department

John F. Goetz, director

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

Transportation Department

A. W. Larson, director
Judd H. Justesen, assistant director

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

Legal Department

William E. Torkelson, chief counsel

Engineering Department

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

General Section--William A. Kuehlthau
Service Section--Clarence F. Riederer
Railroad Section--Hugo F. Muehrcke
Valuation Section--John E. Rosecky
Water Power Section--William Sayles

Accounts and Finance Department

Frederick C. Huebner, director

Rates and Research Department

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

COMMISSION PROCEEDINGS

Under the direction of the Commission, hearing examiners held 3,005 hearings in various parts of the state. This total exceeds that of the last biennium by 232.

HEARINGS	<u>1964-65</u>	<u>1965-66</u>
Railroad -----	119	124
Utility		
General -----	137	164
Securities -----	2	0
New Plants & Additions -----	84	60
Water Power -----	177	127
Motor		
General -----	23	10
Common Carrier Certificates -----	58	49
Contract Carrier Licenses -----	266	280
Amendments -----	703	617
Registrations -----	4	1
Total -----	1,573	1,432

FORMAL CASES	<u>Opened during biennium</u>		<u>Closed during biennium</u>	
	<u>1964-65</u>	<u>1965-66</u>	<u>1964-65</u>	<u>1965-66</u>
Railroad -----	118	150	133	144
Utility				
General -----	150	136	146	155
Securities -----	35	26	39	25
New Plants & Additions -----	145	139	147	134
Water Power -----	189	175	184	177
Motor				
General -----	21	14	20	11
Common Carrier Certificates -----	16	32	15	30
Contract Carrier Licenses --	1,663	1,608	1,649	1,643
Amendments -----	1,294	1,324	1,263	1,382
Registrations -----	24	25	23	25
Total -----	3,655	3,629	3,619	3,726

ORDERS ISSUED	<u>1964-65</u>	<u>1965-66</u>
Railroad -----	186	186
Utility		
General -----	158	180
Securities -----	42	28
New Plant & Additions -----	164	161
Water Power -----	640	572
Motor		
General -----	30	12
Common Carrier Certificates -----	22	25
Contract Carrier Licenses -----	1,192	1,142
Amendments -----	1,011	988
Registrations -----	<u>1</u>	<u>1</u>
Total -----	3,446	3,295

INFORMAL CASES OPENED DURING BIENNIUM	<u>1964-65</u>	<u>1965-66</u>
Railroad -----	53	45
Utility -----	641	611
Water Power -----	<u>41</u>	<u>28</u>
Total -----	735	684

Informal cases are resolved through correspondence or conference. There is, besides the tabulated proceedings, work of a continuing nature: field investigations of utility and transportation service and facilities, review of financial and operating reports submitted to the Commission, continuing property records, and statistical reports.

FINANCES OF THE COMMISSION

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

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

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

SUMMARY OF FINANCES

Item	1964-65	1965-66
Appropriations and receipts		
General legislative appropriations	\$ 567,736.00	\$ 669,100.00
Board on government operations appropriation	30,863.22	52,948.64
Non-lapsed balances	<u>6,295.25</u>	<u>2,275.86</u>
Total appropriations	<u>\$ 604,894.47</u>	<u>\$ 724,324.50</u>
Utilities receipts		
Direct assessments	\$ 77,819.49	\$ 90,675.88
Remainder assessments	<u>507,989.22</u>	<u>547,573.83</u>
Total	<u>\$ 585,808.71</u>	<u>\$ 638,249.71</u>
Railroad receipts		
Direct assessments	\$ 7,812.31	\$ 7,294.21
Remainder assessments	<u>122,927.80</u>	<u>135,167.13</u>
Total	<u>\$ 130,740.11</u>	<u>\$ 142,461.34</u>
Miscellaneous receipts	<u>\$ 3,084.95</u>	<u>\$ 2,833.55</u>
Total appropriations and receipts	<u>\$1,324,528.24</u>	<u>\$1,507,869.10</u>
Disbursements		
Utility	\$ 636,192.30	\$ 694,304.69
Railroad transportation	143,781.99	157,873.31
Water Power and Navigation	180,454.80	247,628.89
Motor transportation	388,603.04	457,287.55
Civil defense	<u>4,298.68</u>	<u>3,876.30</u>
Total disbursements	<u>\$1,353,330.81</u>	<u>\$1,560,970.74</u>
Collections for state general fund		
Utilities securities fees	\$ 88,468.19	\$ 70,848.39
Water Power and engineering fees	1,622.55	984.93
Copy work and sale of printed matter	3,177.55	3,276.14
Penalties	<u>522.15</u>	<u>206.91</u>
Total	<u>\$ 93,790.44</u>	<u>\$ 75,316.37</u>
Collections for state highway fund		
Motor carrier filing fees	<u>\$ 76,205.00</u>	<u>\$ 68,875.00</u>

DEPARTMENTS OF THE COMMISSION

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

1. Administration department

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

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

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

2. Legal department

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

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

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

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

WILLIAM E. TORKELSON, immediately prior to his serving as Chief Counsel of the Commission as head of its Legal Department, was Assistant Attorney General of the State of Wisconsin from 1944 to 1949. He is a member of the Gas Subcommittee, Public Utility Section, of the American Bar Association; of the Staff Subcommittee of the National Association of Railroad and Utility Commissioners; and of the Federal Power Bar Association's Committee on Practice and Procedure.

3. Transportation department

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

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

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

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

A. WILFORD LARSON, chief of the Transportation Department since 1952, has been a member of the Commission staff since 1933, except for a 1942-1945 military leave.

4. Engineering department

Provides engineering services for the Commission in transportation, water-power, and utility matters.

The work includes valuations of utility property for rate, security issue, and acquisition purposes; establishment of continuing property records of utility property for use by the utilities and the Commission in many regulatory matters; investigations of complaints and inquiries concerning, and periodic inspections of, telephone, gas, electric, and railroad service, as well as the safety of electric and gas lines and equipment; investigations of railroad safety matters such as closing,

establishing (at grade or separated) or improving protection at, highway-railroad crossings, vertical and horizontal railroad clearances, switch lamps, and brush and snow removal on railroad right-of-way; investigations of utility applications to add facilities, to make interconnections, and to integrate operations; and investigations of water-power and navigation matters such as lake levels, irrigation, dredging, sand blankets, obstructions in navigable waters, measurement of stream flow, plans for proposed water-power structures and for their operation, enlargement of waterways, bulkheads, and changing of stream courses.

RALPH E. PURUCKER has been chief of the Engineering Department since May 1, 1963. He is a member of three National Association of Railroad and Utilities Commissioners committees: Legislative Council Committee on Nuclear Energy, Committee on Engineering, Depreciation and Valuation, and Subcommittee on Training of Commission Personnel; a member of three American Standards Association committees: Committee on National Electric Safety Code, Committee on Interpretation of Electric Code, and Committee on Electricity Metering; a member of Federal Power Commission Committee on Bulk Power Supply, of the Upper Mississippi River Comprehensive Basin Study Committee, and of the Wisconsin Emergency Resources Planning Committee. He is also Wisconsin liaison representative between State and U. S. Army Engineers.

5. Accounts and finance department

Audits the books, accounts and annual reports of electric, telephone, gas, and water public utilities; designs uniform systems of accounts and annual reports prescribed for all classes of utilities; prepares any required interpretations of those systems of accounts; investigates and studies applications of utilities for authority to issue stocks, bonds, and all other forms of securities; assists utilities in establishing accounting systems and procedures; analyzes construction expenditures for continuing property record accounting; investigates proposals of utilities to purchase, consolidate or merge other utility companies; investigates financial arrangements between utility affiliated interests which require Commission approval; and makes recommendations to the Commission on matters pertaining to accounting and finance.

FREDERICK C. HUEBNER, a member of the Commission staff since 1952 and assistant director of the department since 1959, was appointed director in September 1966. He is a member of the National Association of Railroad and Utility Commissioners Committee on Communication Problems and Committee on Accounting and is chairman of the subcommittee on Manufacturing and Service Affiliates of Telephone Utilities.

6. Rates and research department

Investigates and recommends rates and rules and analyzes costs of telephone, electric, gas, sewer, and water utilities; prepares technical

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

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

