

State of Wisconsin



Public Service Commission

BIENNIAL REPORT
1973-75

PUBLIC SERVICE COMMISSION OF WISCONSIN

Biennial Report - July 1, 1973 to June 30, 1975

F O R E W O R D

This Biennial report covers the program scope, objectives, and accomplishments of the Public Service Commission for the period from July 1, 1971 to June 30, 1973, and contains information with respect to matters under the Commission's jurisdiction which it deems proper to submit in compliance with section 15.04(4), Wisconsin Statutes, as to biennial reports.

PUBLIC SERVICE COMMISSION

Richard D. Cudahy
Chairman

Norman M. Clapp
Commissioner

Matthew Holden, Jr.
Commissioner

TABLE OF CONTENTS

Public Service Commission Personnel.....	2
Functional Organization Chart.....	3
Jurisdiction, Functions, and Organization.....	4
New Postions and Policies.....	7
Finances of the Commission.....	8
Utility Rates and Charges; Securities.....	10
Environmental Review--Wisconsin Environmental Policy Act.....	16
Rail and Motor Transportation.....	18

PUBLIC SERVICE COMMISSION OF WISCONSIN

PERSONNEL

Richard D. Cudahy
Chairman

Matthew Holden
Commissioner

Norman M. Clapp
Commissioner

Steven M. Schur
Chief Counsel

Executive Secretary

Administrative Services--Donald H. Hebl
Management Services--Donald H. Hebl
Records Management--Francesca A. di Lorenzo
Management Data Services--
Public Affairs and Publications--
Staff Economist--J. Robert Malko

Transportation Division--William R. Brumfield, administrator

Tariffs Bureau--Lester L. Dietrich
Statistics and Reports Bureau--Glen L. Derge
Motor Carrier Authorities Bureau--James H. Ackley
Railroad Safety Bureau--Rex A. Montgomery

Examining Division--Clarence B. Sorensen, administrator

Engineering Division--William Sayles, administrator

Electric and Water Bureau--Clarence F. Riederer
Gas Bureau--Harold A. Meyer
Communications Bureau--William J. Green
Property Records Bureau--David L. O'Connell
Environmental and Energy Systems--Richard J. Timm, acting chief

Accounts and Finance Division--Frederic C. Huebner, administrator

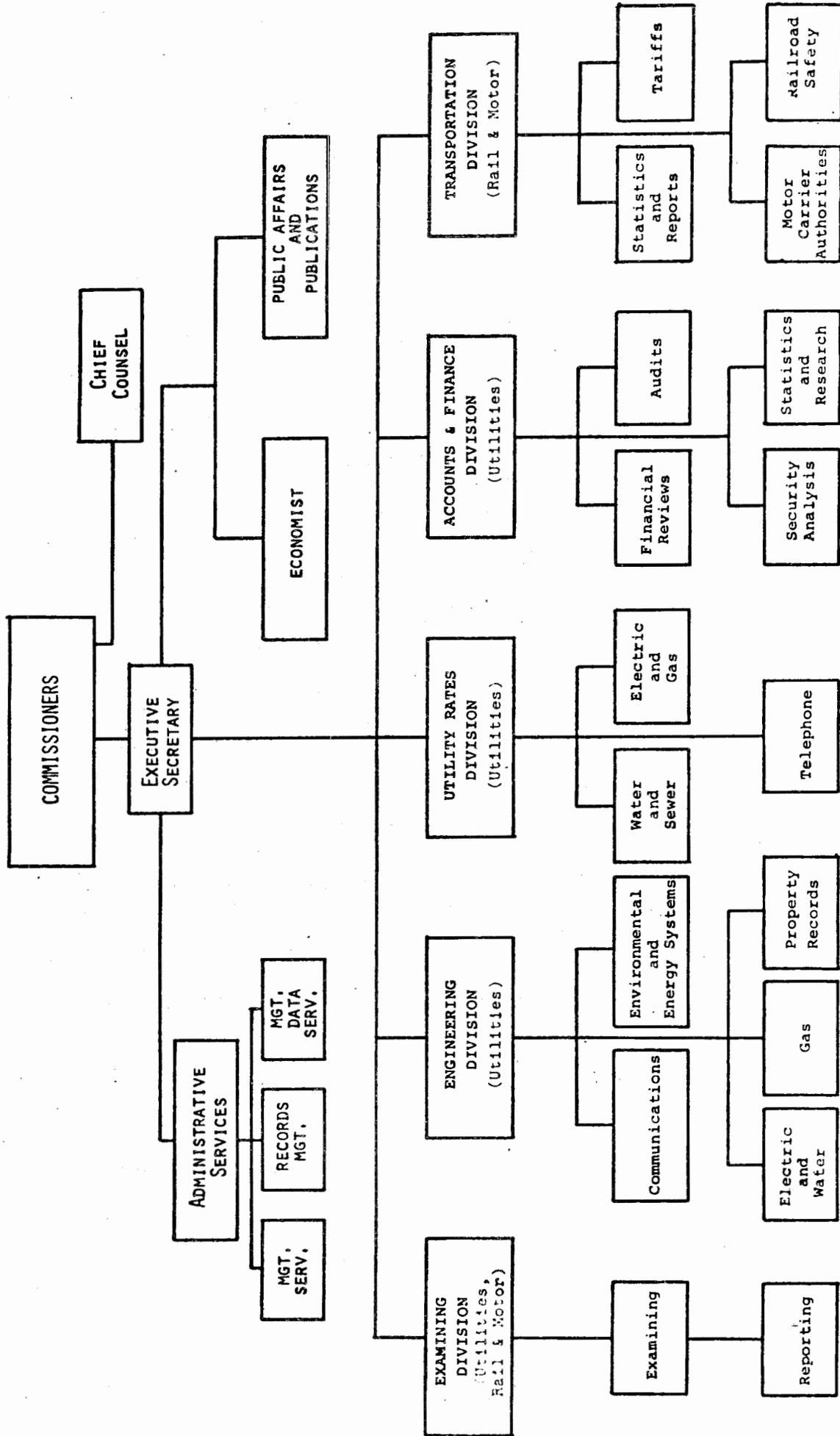
Joseph R. Bardy, assistant administrator

Utility Rates Division--James J. Tanner, administrator

Electric and Gas Bureau
Water and Sewer Bureau
Telephone Bureau

PUBLIC SERVICE COMMISSION OF WISCONSIN

FUNCTIONAL ORGANIZATION CHART



JURISDICTION, FUNCTIONS, AND ORGANIZATION
of the
PUBLIC SERVICE COMMISSION

The Public Service Commission is composed of three full-time Commissioners appointed by the Governor and confirmed by the Senate for staggered 6-year terms, and a staff of 150 full-time budgeted positions.

As of June 30, 1975, its regulatory powers and duties included the rates and service of

	5	common carriers of property and passengers by water
	279	common motor carriers of passengers and property
	18,365	contract motor carriers of property
105	105	electric utilities (85 are municipal)
	1	express company ⁸⁶
18	18	gas distribution utilities (1 is municipal)
3	3	heating utilities
	1	railroad (electric)
	15	railroads (other than electric railways)
120	122	sewer utilities (combined with water utilities)
	1	telegraph company
117	118	telephone utilities (70 are REA financed)
533	512	water utilities (495 are municipal) ⁵¹⁵

For the efficient conduct of its business, ^{in carrying} the Commission staff is organized into five divisions, and the office of the Executive Secretary, each with the following program assignments:

Executive Secretary

Reporting to the Commission through the Chairman, the Executive Secretary is delegated line administrative management responsibility and functions as Chief Administrative Officer. Responsibilities include directing and coordinating administrative and program activities and policies of the Commission. Under the Executive Secretary the following functions are directed:

Office of Administrative Services directs budget preparation and control, personnel management activities, employment relations and the activities of:

Management Services assesses regulatory expenses against the utilities and railroads; administers Commission budget and payroll; audits expenditures, administers affirmative action, purchasing, inventory control, space allocation, facility management, fleet management and employe training and development.

Records Management maintains all documents and records of the Commission (except finance and personnel); maintains and directs a follow-up system on files and correspondence, providing mailing services and distribu-

tion of Commission notices and orders; supervises duplicating services, data reporting on Commission activities and special Commission reports.

Management Data Services coordinates and supplies data processing and statistical analysis services.

Office of Public Affairs and Publications is responsible for matters of public affairs, consumer inquiry and publication coordination and control.

Staff Economist consults with the Commission and staff on economic factors and issues relating to public utility and transportation activities. Develops and presents expert testimony in rate and rule working proceedings.

Examining Division

The Examining Division schedules and gives notice of public hearings, the objective being to set each hearing at a time and place most convenient to the parties and the public, consistent with efficient utilization of staff time and travel expense; conducts public hearings with a hearing examiner presiding; is responsible for the recording of verbatim testimony by a stenographic reporter and the preparation of typewritten transcripts of public hearings.

Transportation Division

The Statistics and Reports Bureau analyzes railroad and motor carriers costs and maintains files of general statistical data relating to transportation; prepares accounting, statistical, and general economic data for use in matters before the Commission and the Interstate Commerce Commission and participates in formal proceedings; and audits books and reports, and designs reporting forms and systems of accounts for motor carriers.

The Tariffs Bureau investigates transportation rates or fares of express, truck, and bus lines and railroads; maintains complete file on freight tariffs and passenger fares; participates in Commission and Interstate Commerce Commission rate proceedings; investigates telegraph rates; and audits freight bills upon request.

The Motor Carrier Authorities Bureau handles motor carrier inquiries and preliminary work in connection with motor carrier authorities; maintains liaison with other bureaus of the Commission and other state agencies involving motor carrier regulations; and makes routine investigations of the records and investigates inquiries and complaints as to the service of motor carriers and rental companies.

The Railroad Safety Bureau investigates and processes applications or complaints relating to: closing, maintaining, establishing (at grade or separated), or improving protection at railroad-highway crossings, and apportionment of costs related to crossings; horizontal clearances between adjacent and parallel railroad tracks and vertical and horizontal clearances between railroad tracks and adjacent structures; switch targets, lights, and reflectorized markers on both branch and mainline railroad lines; removal of spur tracks;

general matters relative to railroad car supply and operational freight service; and brush or snow removal on railroad right-of-way.

Engineering Division

The Electric and Water Bureau processes complaints concerning electric and water utility service, operation, and facilities; reviews and makes recommendations on plans for plant addition; reviews and enforces service and safety standards; conducts continuing studies of adequacy of electric energy supply; represents Commission on state and national committees; maintains liaison with federal and other state agencies with concurrent jurisdiction; administers Volume 1 of the State Electrical Code; and administers the specific laws relating to the Wisconsin Valley Improvement Company and the Chippewa and Flambeau Improvement Company.

The Gas Bureau processes complaints concerning gas utility service, operation, and facilities; reviews and makes recommendations on plans for plant additions; reviews and enforces service and safety standards; conducts continuing studies of adequacy of gas supply; represents Commission on state and national committees; and administers the Gas Safety Standards of the state and, as an agent of the federal Department of Transportation, those of the federal government.

The Communications Bureau processes complaints concerning telephone utility service, operation, and facilities; reviews and makes recommendations on plans for plant additions; reviews and enforces service and safety standards; and represents Commission on state and national committees.

The Property Records Bureau reviews utility work orders, prudent investment, and associated costs relating to investment in, or retirement of, utility plant; maintains price indices of material and labor and a familiarity with construction standards; reviews methods and procedures in property record work and book entries of utilities acquiring transferred property; and represents Commission on state and national committees.

Environmental and Energy Systems screens individual utility proposals to determine whether a detailed environmental impact statement should be prepared; prepares environmental impact statements; analyzes the present and long term utility components of the energy needs of the state; coordinates energy and environmental matters with other agencies; and in general administers Commission activity conducted in compliance with the Wisconsin Environmental Policy Act.

Utility Rates Division

The Utility Rates Division is separated into the Telephone Bureau, the Electric and Gas Bureau, and the Water and Sewer Bureau, each of which participates in all rate cases of the particular utilities under its jurisdiction. These bureaus make a thorough investigation of each rate case, which may include submission by the staff of evidence such as cost studies, rate designs and/or rule changes. New rates are filed with this division in compliance with orders of the Commission. Customer complaints received by the Commission are investigated and resolved by this division.

Accounts and Finance Division

The Accounts and Finance Division conducts special studies on cost of capital, revenue requirements, and rate of return, and makes recommendations to the Commission in connection with rate proceedings; investigates financial arrangements between utility affiliated interests requiring Commission approval; audits the books, accounts, records and annual reports of public utilities; prescribes uniform systems of accounts and interpretations, and annual report requirements for utilities; reviews depreciation rates of all utilities; 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 with other utilities; investigates utility applications for authority to issue bonds, stocks, and all other forms of securities; and collects, analyzes, and furnishes information and financial and economic data on the utility industry.

NEW POSITIONS AND POLICIES

During the 1973-75 Biennium, the Commission's workload increased dramatically; for example, after processing applications for 400-450 megawatts per year of electrical generating capacity for the past 6 to 7 years, the Commission received applications for 5,877 megawatts from July 1973 to April 1974. The Commission received five new positions to form the Environmental and Energy Systems unit so that Environmental Impact Statements and Environmental Assessments could be issued in accordance with the provisions of the Wisconsin Environmental Policy Act (WEPA). In addition, three utility rate analyst positions were added to keep pace with the increased rate-case workload, which quadrupled in the past year.

Because the increase in formal utility rate cases and the time required for these lengthy, complex proceedings placed an ever greater demand on the chief counsel, the Commission was granted authorization for an assistant chief counsel position to meet the increasing need for legal representation for the Commission at these hearings. The Utility Rates Division added two public service engineers and two accountants to perform rate design and cost studies and to make rebuttal testimony on rate design in rate cases. Previously, the Division did not design rates; it is anticipated that comprehensive rate design and fully allocated cost studies will improve rates by placing the cost burdens on the proper customers and obtaining rates that, through longevity, will provide revenue and earnings stability.

For the 1975-77 Biennium, the Commission is budgeted one motor carrier field auditor. Presently, audits are conducted by staff, using motor carrier annual reports, in the Commission office; field audits can verify reported figures and check discrepancies. A public service engineer has also been authorized to meet the increased workload in the engineering division. Plant expenditures, at the \$150 million per year level in 1970-74, will reach an estimate cost of \$600 million in the next two years. Moreover, power plant certification proceedings, due to increased public interest and to the requirements of WEPA, have involved more complex issues and placed greater demands on Commission staff.

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 all Wisconsin public utilities, whether privately or municipally owned, the Commission makes an assessment of costs of a specific, formal investigation 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 specific, formal railroad investigations.
2. To recover costs incurred in utility regulation that cannot be ascribed to a specific 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. A similar remainder assessment, made to recover costs incurred in railroad regulation that cannot be ascribed to a specific investigation, may not exceed 1% of the total gross intrastate operating revenues for the previous calendar year.
3. To provide for transportation, electric power, natural gas, and telecommunication phases of emergency resource management assigned to the Commission by the Governor under Chapter 22, Wis. Stats., and for miscellaneous administrative expenses, a specific legislative appropriation is made from the State General Fund.
4. 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.

Table on following page

Public Service Commission of Wisconsin
Summary of Finances

Item	1973-74	1974-75
Appropriations and receipts		
General legislative appropriations	\$ 778,400.00	\$ 767,500.00
Non-lapsed balances	<u>3,761.32</u>	<u>1,443,51</u>
Total appropriations	\$ 782,161.32	\$ 768,943.51
Utilities receipts		
Direct assessments	\$ 174,423.92	\$ 205,396.16
Remainder assessments	1,239,146.74	1,452,643.09
Gas pipeline safety - D.O.T.	<u>24,543.23</u>	<u>40,256.61</u>
Total	\$1,438,113.89	\$1,698,295.86
Railroad receipts		
Direct assessments	\$ 15,154.30	\$ 12,440.26
Remainder assessments	<u>199,308.03</u>	<u>220,193.74</u>
Total	\$ 214,462.33	\$ 232,634.00
Miscellaneous receipts	\$ 4,870.05	\$ 7,662.48
Total appropriations and receipts	<u>\$2,439,607.59</u>	<u>\$2,707,535.85</u>
Disbursements		
Utility	\$1,638,073.98	\$1,928,090.84
Gas pipeline safety	24,543.23	35,754.00
Railroad Transportation	236,216.04	256,718.13
Motor Transportation	609,291.04	651,707.54
Emergency resource management	11,964.05	65.31
Coastal zone management	<u>--</u>	<u>6,702.93</u>
Total disbursements	<u>\$2,520,088.34</u>	<u>\$2,879,038.75</u>
Collections for state general fund		
Utilities securities fees	\$ 17,180.43	\$ 8,361.00
Engineering fees	66.00	22.00
Copy work and sale of printed matter	5,256.12	5,464.84
Penalties	689.51	277.69
Water carrier fees	<u>--</u>	<u>--</u>
Total	<u>\$ 23,192.06</u>	<u>\$ 14,125.53</u>
Collections for state highway fund		
Motor carrier filing fees	<u>\$ 87,025.00</u>	<u>\$ 79,720.00</u>

UTILITY RATES, CHARGES AND SECURITIES

Accounts and Finance Division

The Public Service Commission is an independent quasi-judicial regulatory body whose jurisdiction, powers and duties are delegated to it by the Wisconsin legislature. According to Wisconsin Statutes, it is the duty of the Public Service Commission to "supervise and regulate every public utility in this state" to the end that "reasonably adequate service and facilities" be made available at "rates that are reasonable and just." The basic goal of the Commission is to carry out this mandate.

Wisconsin Statutes require that a public hearing be held and a formal order issued whenever a proposed utility rate revision includes any increase in rates to any customer, and require that a privately owned utility obtain Commission approval before it can issue securities.

Securities Authorized
July 1, 1973 - June 30, 1975

<u>Type of Security</u>	<u>Par Value</u>	<u>Amount</u>	<u>Percent</u>
Common Stock	\$106,968,935	\$147,232,220	35.14%
Preferred Stock	50,500,000	50,327,500	12.01
Bonds & Other Debt	<u>223,375,099</u>	<u>221,451,499</u>	<u>52.85</u>
Total	\$380,844,034	\$419,011,219	100.00%

Short-term indebtedness, maturing less than 1 year from issue, in amounts not exceeding \$396,065,000 at any time, was authorized by the Commission during the 1973-1975 biennium.

The types of securities each utility may issue must bear a reasonable proportion to each other. Before authorizing the issuance of securities, the Commission must find that the financial condition, plan of operation and proposed undertaking of the utility are such as to afford reasonable protection to purchasers of the securities to be issued. Attention is also paid to times interest coverage (after taxes). These considerations significantly affect a utility's investment rating, its cost of capital, and ultimately rates paid by customers for utility service.

An important function of the Accounts and Finance Division is to present evidence in rate cases in regard to total cost of service. This includes evidence with respect to overall operating revenues, operating expenses and evidence with respect to cost of capital for consideration by the Commission in determining rates of return. Continuous studies are made of financial data relating to securities of public utilities and money-market conditions in general so as to furnish current information and data for use in presenting cost of capital studies to the Commission. The Commission, through its Accounts and Finance Division, has presented testimony in various proceedings before the Federal Power Commission establishing wholesale rates for electric power sold to municipalities.

Contracts and arrangements between public utilities and affiliated

interests, as defined by statutes, are reviewed for the reasonableness of such transactions and to determine the cost to the affiliated interest of rendering service to the public utility.

The Commission prescribes Uniform System of Accounts to be used by public utilities in maintaining their financial records. For electric, gas and water utilities the Commission has adopted, with modifications appropriate for Wisconsin, Uniform System of Accounts as adopted by the National Association of Regulatory Utility Commissioners. For Class A and B telephone utilities, this Commission has adopted, with modifications, the Uniform System of Accounts for Class A and B telephone utilities prescribed by the Federal Communications Commission. During this biennium, the Commission completed the development of a new and more comprehensive Uniform System of Accounts for Class C Telephone utilities to replace the system of accounts effective since 1937. The revised Uniform System of Accounts was adopted by Order issued October 17, 1974 to be effective January 1, 1975. Work is progressing on the development of a revised Uniform System of Accounts for sewer utilities.

Under the authority of section 196.09, Wisconsin Statutes, the Commission is empowered to certify depreciation rates for utilities. Depreciation expense recorded in the utilities' accounts and allowance for depreciation expense in proceedings establishing rates for service must be computed on the basis of certified rates. The Commission certifies depreciation rates for the larger Wisconsin utilities. Generally depreciation rates for electric, gas, water and sewer utilities are certified at 5- to 10-year intervals and for telephone utilities at four to five year intervals. Depreciation rates for smaller utilities are reviewed routinely in connection with review of utility annual reports filed with the Commission and recommendations for changes are made, if appropriate.

Utility Rates Division

Telephone Bureau. In the July 1, 1973-June 30, 1975 period, a total of 125 recommendations were made by the Utility Rates Division, Telephone Bureau, in formal proceedings. These recommendations were acted on by the Commission and resulted in varying increases of telephone service rates to approximately 2,370,000 users of telephone service in Wisconsin. The foregoing orders are described as follows:

Company and exchange rate proceedings	63
Establishment of all one-party service rates	42
Merger and purchase and sale where rates were involved	3
Extended area service	7
Foreign exchange service	3
Transfer of service area	3
Other	4
	<u>125</u>

The foregoing resulted in telephone service rate increases of approximately \$15,100,000 annually. The two largest independent telephone utilities received \$13,800,000 of the total, leaving only approximately \$1,300,000 involved in all the other proceedings. During the same period, a savings in telephone bills of certain customers of approximately \$423,000 annually resulted due to establishment of certain extended area services.

Testimony was presented in certain of the above-mentioned proceedings involving segmented non-recurring charges, foreign exchange service, telephone rate design and telephone deposit and disconnect rules. Rates were generally designed as a value of service concept but with cost considerations which recognize the main stations a customer may reach from his telephone without a toll charge. Multi-exchange company customers whose access is limited to other main stations without toll charges thereby pay less than customers of the same company who have access to a larger number of customers without toll charge.

The Commission during this period adopted a directory assistance charge plan which is expected to affect the rates of approximately 55,000 of the approximately 1,100,000 customers of the Wisconsin Telephone Company. The Commission modified the proposed plan and permitted it to go into effect on June 29, 1975 on an experimental basis.

The Telephone Bureau handles tariff filing for all of the 118 telephone utilities and 11 other communication common carriers in Wisconsin. Complaints are also handled involving tariffs, billing, deposit, disconnect, directory and other rate aspects. This section also handles a variety of inquiries from the public, news media, other governmental and regulatory agencies.

Competition is growing between telephone utilities and suppliers of customer premises located communications equipment. Competition is necessitating rate design with increased emphasis on cost. Study of these areas seriously began in this biennium and will receive increased attention in the future.

Water and Sewer Bureau. In the July 1, 1973-June 30, 1975 biennium, the Public Service Commission authorized rate increased to 129 water (\$5,440,229) and 45 sewer (\$1,135,137) utilities.

Sewer utilities are included in the Commission's jurisdiction only when sewer and water utilities of a town, village or city of the fourth class are combined by ordinance; when a user of the service of any sewerage system complains to this Commission that rates or practices are unreasonable or unjustly discriminatory; or when a privately owned sewer utility elects to have the Commission establish suitable rates for service. Once acquired, jurisdiction is continuing.

Oscar Mayer & Co., Inc., filed a complaint with the Commission on March 27, 1974, pursuant to section 66.076(9), Wis. Stats., alleging that the sewer charges imposed upon the company by the City of Madison and the Madison Metropolitan Sewerage District are unreasonable and unjustly discriminatory. In Docket No. 2-U-7988, the Commission concluded that it has jurisdiction over the matter of the complaint filed by Oscar Mayer & Co. A cost of service study is being effectuated in order to design sewer rates for the Madison Metropolitan Sewerage District and the City of Madison; the case is pending.

In order to comply with Public Law-92-500, "Federal Rates Pollution Contract Act Amendments of 1972," administered by Environmental Protection Agency, the Commission designs a rate whereby users of the municipal wastewater treatment facilities, who discharge wastes having an organic loading concentrate in excess of domestic waste, pay a charge based on a unit cost basis for the parameters of volume, biochemical oxygen demand, suspended solids, and phosphorous.

The financial cost allocations are made on the distribution of plant cost and the operational and maintenance expenses. The City of Shawano was granted rates pursuant to the EPA requirements in Docket No. 2-U-8203.

Water main extension rules for municipal utilities are being revised to incorporate the following:

When a new customer(s) is connected to an existing main, not financed by customer contributions, it shall not be considered as a main extension and no contribution may be collected from the customer(s).

When a new main is about to be installed, the customer will usually either be assessed by the municipality against the abutting property or be requested to advance a contribution in aid of construction in order to cover the cost of extension.

Good utility financial practice is to connect all customers and charge them for the cost of the water main extension. If, at the discretion of the utility or city officials, the utility does not connect all eligible customers to the water main extension, then the utility should not collect a connection fee in the future. However, if the water main was paid for by the customer contribution, then the customers who connect in the future will be required to pay a customer contribution.

In order to expedite rate cases, the staff reviews the applicant's annual reports and prepares a letter to the utility, outlining the written data to be supplied by the utility immediately. Following receipt of all the requested information, the staff will analyze the data including the annual reports on file with the Commission. A staff exhibit showing recommended rates will be prepared and sent to the utility and to the Director of Hearings, PSC, with a request to set the time and place for a public hearing. At time of the hearing, the applicant can add supporting evidence to further build its case or accept the rates as prepared by the staff.

Electric and Gas Bureau. A total of 153 electric rate orders and 20 gas rate orders have been issued by the Commission in the biennium. The past 2 years brought about marked changes in rate and rule making for electric and gas utilities. The initial case was Madison Gas and Electric Company which provided the opportunity to review the economic properness of rate structure. These hearings brought to view marginal costs and peak-period rates. The problems of growth were examined relative to promotional rates and cross subsidized rate structure. This case provided the groundwork for a continuing investigation of peak-period rates or time-of-day rates in subsequent electric utility cases. An extensive examination of marginal costs and historic embedded costs has been made in the major rate cases to develop a rate structure which is more proper in the context of current economic conditions.

Rates were ordered into effect which no longer contain promotional features and which reflect marginal costing concepts to the extent possible with existing metering. Continuing changes are being made to further modify the rates and implement time of day pricing. A grant from the FEA was received for an experimental study of time of day pricing for some customers of the Wisconsin Public Service Corporation.

Rate changes have also been ordered into effect for both electric and gas utilities which eliminate the promotional extensions of service lines. These new rules reflect the need to keep capital investment costs down and put the risk of temporarily noncompensatory investment on new customers rather than on existing customers. The Commission also introduced changes in the Wisconsin Administrative Code which prescribed new requirements for the utilities in notifying customers in the event of a disconnection of service. Also, deposit requirements for new customers were eliminated and rule changes affecting the billing and collection practices of the utilities were designed to place the customers in a more proper position in his transactions with the utilities.

During the biennium the Federal Power Commission granted rate increases to several large Wisconsin utilities who sell wholesale power to municipal or small private utilities. The PSC therefore authorized power cost adjustment clauses for those small utilities who purchase all or part of their energy requirements so that they can recover sudden drastic increases in their wholesale costs.

In the past 2 years there have been very few new villages or cities piped for gas, since the supply of gas has become quite short. One pipeline, Northern Natural Gas Company, is so low on gas that it no longer has gas available for new customers and utilities purchasing gas from that pipeline such as Wisconsin Power and Light Company have frozen their expansion plans in that pipeline served area. There have been many increases in gas rates in the 2 years, most of which have been activated through the purchase gas adjustment clauses which are now part of the rate structure of all gas utilities. These adjustment clauses allow a utility to pass on to the customer dollar for dollar cost increases necessitated by pipeline rate increases, the level of which are regulated by the Federal Power Commission. There has been a major change in recent times in the approach to extension rules for gas companies; the customer is now required to make a capital contribution placing the risk on himself rather than on the utility, because a single extension is perceived as a short-term asset. Previously many extensions were granted with little or no investment by the new customer.

Engineering Division

Electric Service. Various factors including energy conservation, problems of oil supply and cost, and general slackening of the nation's economy all led to a sharp reduction in load growth during the biennium. Some increase in electrical demand and consumption growth rates is anticipated as the economy improves, but at rates below the pre-1973 level. The major Wisconsin utilities have reduced their estimates of peak demands and related generating capacity requirements for the next 10-year period. There resulted the cancellation of approximately 500 MW (megawatts) in combustion turbine peaking capacity, the 2-year deferral of two 900-MW nuclear units, the 3-year deferral of one 1100-MW nuclear unit and the indefinite postponement of a second proposed 1100-MW nuclear unit.

Total generating capacity of Wisconsin utilities as of June 30, 1975 was 8148 MW. With minor exception, all base load generating capacity utilizes either coal or nuclear fuel. In this respect Wisconsin is in a favorable situation because of the problems of price and supply affecting oil and natural gas.

During the biennium the Commission issued certificates of authority for electric utility plant additions estimated to cost \$174,837,826. Major projects authorized included a second 527-MW coal-fired unit at the Columbia Generating Station (\$136,563,000) and 73 miles of 345-kV transmission line (\$22,614,941). The comprehensive provisions of the Wisconsin Environmental Policy Act for environmental review and preparation of an Environmental Impact Statement were fully complied with for these and other major projects authorized.

The Commission has held initial certification hearings in its docket No. CA-5491 for the proposed Koshkonong Nuclear Plant (two units, 900 MW each). In a subsequent order the Commission determined that later hearing will include inquiry into certain areas of nuclear safety, particularly where safety issues also bear on the cost and operating reliability of the plant.

In view of the emphasis placed on nuclear power, the Commission in May 1975 issued a staff report relating to domestic uranium availability prospects. Further special studies relating to the production of electric energy have been initiated in cooperation with the University of Wisconsin.

Water Service. During the biennium, the Commission authorized water utilities and combined water and sewer utilities to construct projects totalling approximately \$40,028,000. This figure included authorizations to six municipalities and four town sanitary districts to operate as new water public utilities and to construct water system facilities estimated to cost a total of more than \$5,700,000. Many of the projects were made possible through the increased availability of state and federally funded grants and loans.

Gas Service. The Commission has continued to enforce the current rules (minimum safety standards) of the Federal Department of Transportation, Office of Pipeline Safety, as Wisconsin Administrative Code rules. During the biennium, the Commission received \$60,297 in federal assistance for carrying out the pipeline safety program.

The natural gas shortage has become more acute during the biennium. Although the effects vary between utilities all have decreased capacities to serve new customers and additional requirements of existing customers.

Four pipeline companies supply natural gas to Wisconsin gas utilities. Of these, Michigan Wisconsin Pipeline Company supplied 88.6% of the gas purchased by Wisconsin utilities. Although this company has the best supply situation, it had to curtail service to Wisconsin utilities during the latter part of the biennium. It also announced and projects that larger curtailments will occur in the future.

Northern Natural Gas Company, which supplies 8% of the gas purchased, announced that it will curtail service to electric generating plants and to large volume (over 200 Mcf/day) interruptible customers. Northern projects that the electric generating customers will be curtailed 100% by 1977 and large volume interruptible customers 100% by 1978.

Midwestern Gas Transmission Company is totally dependent on Canadian gas supply. Canada has substantially increased the cost of exported gas and announced that service may have to be curtailed to the United States. This has or will directly affect those areas supplied by Midwestern and indirectly affect those other areas of the state supplied by other pipeline companies, such as

Michigan Wisconsin, that may receive natural gas from Canada through connecting pipeline companies.

Natural Gas Pipeline Company of America serves only one Wisconsin utility, which has been limited to its present supply of gas.

The natural gas shortage has reduced the amount of gas utility construction. During the biennium only six projects were authorized. An estimated \$1,755,040 was spent for the installation of peak-shaving facilities to allow the utility to continue to serve the needs of existing customers and for limited additional service to residential customers.

Communications. Commission action to reduce multiparty line fills to no more than four parties has brought the number of utilities in compliance to 112; only 4 were granted time extensions after good cause was shown. There are presently only 17,746 out of the total 1,654,636 main stations in the state on lines serving 5 or more main stations or about 1.1% of total main stations in the state.

The trend to 1-party exchanges is evidenced by the following table:

	Biennium Ending		
	<u>6-30-71</u>	<u>6-30-73</u>	<u>6-30-75</u>
Utilities	40	61	76
Exchanges in Service	57	101	150

The recent decline of national economy has resulted in telephone utilities reducing capital expenditures in other states. This has not been the case in Wisconsin where gross plant additions have been as follows:

1971 - \$93,529,717	1973 - \$105,173,388
1972 - \$96,367,787	1974 - \$131,400,486

Through June of 1975, \$99,481,500 worth of gross plant additions were reviewed.

There is no significant indication of changes in the quality of telephone service. Although there are no statistics for prior bienniums, service-oriented complaints numbered 514 in 1973, 477 in 1974, and 210 through June of 1975.

Special switching needs in central offices have resulted in the installation of 19 electronic and 17 common control central offices in recent years. Fifteen of the electronic switchboards were installed by the Wisconsin Telephone Company (Bell). The balance were placed in service by the independent segment of the industry.

WEPA. In response to the requirements of the Wisconsin Environmental Policy Act (section 1.11, Wis. Stats.) and Executive Order No. 69, the Commission has instituted procedures to assure full compliance with the law.

SUMMARY OF PSC RATE ACTION

Biennium

July 1, 1973 - June 30, 1975

Utility Type	Formal Cases in Which a Specific Dollar Amount is Requested by Applicant		Formal Cases in Which no Specific Amt. is Requested and Informal Action	Total Dollar Effect of Rate Action (Cols. 2 + 3)	Total Cust. Affected by Commission Rate Action 1/	Total Rate Action 1/
	Amount Requested	Amount Authorized				
<u>Electric</u>						
Privately Owned	\$117,848,390	\$104,409,553	\$ 277,586	\$104,687,139	2,080,856	19
Municipally Owned	2,363,964	1,695,796	3,870,367	5,566,163	144,385	74
Total	\$120,212,354	\$106,105,349	\$ 4,147,953	\$110,253,302	2,225,241	93
				\$ 62,488,786 2/		
<u>Gas</u>						
Privately Owned	\$ 22,018,910	\$ 22,618,402	\$ 5,709	\$ 22,624,111	982,089	13
Municipally Owned	-	-	-	-	-	-
Total	\$ 22,018,910	\$ 22,618,402	\$ 5,709	\$ 22,624,111	982,089	13
				\$106,903,182 3/		
<u>Water</u>						
Privately Owned	\$ 230,000	\$ 209,000	\$ 119,069	\$ 328,069	24,256	2
Municipally Owned	108,800	102,411	5,009,819	5,112,230	247,488	127
Total	\$ 338,800	\$ 311,411	\$ 5,128,888	\$ 5,440,229	271,744	129
<u>Sewer (All Municipal)</u>						
(Under PSC Jurisdiction)	\$ -	\$ -	\$ 1,135,137	\$ 1,135,137	38,048	45 4/
Telephone (All Private)	\$ 20,483,788	\$ 14,665,485	\$ 435,751	\$ 15,101,236	2,371,460	37
Total	\$ 20,483,788	\$ 14,665,485	\$ 435,751	\$ (422,900) 5/		
Grand Total	\$163,053,852	\$143,700,647	Total Adjs. \$10,835,438	\$328,963,452	5,888,582	317
		Grand Total Incl. Adjustments				

- 1/ Applicable to 2-U cases only; interim order and final order counted as one order.
- 2/ Electric power cost adjustments.
- 3/ Purchased gas adjustments.
- 4/ Sewer counted separately in orders having both water and sewer increases.
- 5/ New telephone extended area savings.

TRANSPORTATION DIVISION

Rail and Motor Transportation

As of June 30, 1975, there were 24 urban bus authorities outstanding, 14 of them issued to municipally-owned urban carriers. Prior to June 30, 1975, the Commission issued orders of assignment of authorities from Milwaukee & Suburban Transport Corporation and Racine Flash Cab Company, Inc., to the County of Milwaukee and the City of Racine, respectively, to become effective on or about July 1, 1975. All of the private urban passenger carriers except two were provided an operating subsidy. During the 1973-75 biennium, Milwaukee & Suburban Transport Corporation was authorized to increase its fares from 50¢ to 60¢ adult and 30¢ to 35¢ child fare, said fares later reduced to 50¢ adult and 25¢ child as a result of a Milwaukee County subsidy to the Transport Corporation, expiring on July 1, 1975.

On April 21, 1975, the City of Merrill instituted a route deviation urban bus service, subsidized under a 1-year Wisconsin Department of Transportation demonstration grant covering 90% of the capital expenditures and operating losses, the remaining 10% absorbed by the City of Merrill. The buses follow a fixed route, with deviations being made upon request, for a premium fare.

As of June 30, 1975, there were 31 interurban, intrastate common motor carriers of passengers authorities outstanding. During the biennium, two abandonments or revocations of authorities and five new certificates were issued, (two of which were the result of partial assignments of authority from existing carriers.) On October 21, 1974, bus service between Kaukauna and Appleton was discontinued by Kaukauna Bus Service, Inc., because of the operating losses incurred. Service between these two cities was restored by Appleton City Transit, Inc., on April 1, 1974, under an operating subsidy.

The Commission issued a declaratory ruling on May 29, 1974 (DR-73) with respect to certain proposed motor carrier operations of the Midland National Bank, Milwaukee. The Commission determined that the free bus service in the downtown Milwaukee area was not within the jurisdiction of the Commission, since the service was not "for hire" as defined in section 194.01(15), Wis. Stats.

In recent years the Commission has received numerous complaints with respect to the level of railroad service provided to shippers of pulpwood and logs in northern Wisconsin, and hearings were held to provide complainants with an opportunity to state their problems and to allow rail carriers to respond. The investigation found, among other things, that an acute shortage of gondola cars existed and recommendations were made concerning increased car utilization, future need for gondolas and loading and unloading practices.

The Commission authorized the Soo Line Railroad Company to centralize 11 agency and 13 prepaid stations in an Order issued June 12, 1974, and by Order dated September 26, 1974, to remove the depot buildings at 9 of the 11 agency stations. In an Order dated June 20, 1975, the Chicago and North Western Transportation Company was authorized to remove its depot building at Fond du Lac from railroad service, discontinue the telegraphic positions and provide service at Fond du Lac from its facility at North Fond du Lac. This grant was conditioned upon the applicant's maintaining said depot building intact until August 6, 1975 to allow a responsible local or state entity to preserve it in the possibility

that AMTRAK may initiate service through Fond du Lac at some future date.

The C & N W requested authority to remove the resident depot agent and discontinue less-than carload freight at 24 communities within the state, and to remove the depot building at 23 of the 24 locations, proposing to provide agency service at the 24 stations from designated central agencies and requesting a change in the designated central agency serving 39 associate agencies. The Commission has not yet issued a final decision.

During the biennium the Commission was involved in 45 I.C.C. proceedings, of which 20 involved railroad lines within the state. Furthermore, strong opposition by this Commission to the abandonment of passenger train service between Chicago and Walworth was contributory to a decision by the I.C.C. on September 7, 1973 requiring that this service be continued by the Milwaukee Road. Various other proceedings are also pending, including the transfer of the GB&W and the Milwaukee Road into the BN System and, also, rate cases involving Wisconsin traffic.

In 1974 there were 346 motor carriers that filed annual reports with the Commission, and this group of carriers includes 199 with annual revenues over \$500,000.

<u>Motor Carriers - Biennial Workload</u>	<u>1973-1974</u>	<u>1974-1975</u>
Formal Cases opened	3490	3290
Hearings Held	867	933
Orders Issued	2036	1961
Amendments Issued	1681	1466
New Authorities Issued	2465	2272
Authorities Cancelled	1521	1488
Active Authorities at end of year	17974	18760

During this biennium, the large number of applications for towing authority has continued, with emphasis on authority for the purpose of law enforcement and for salvage.

On April 29, 1974 order (DR-63) provides guidelines as to the scope of transporting wrecked or disabled motor vehicles for the purpose of making emergency repairs. Said order provides that this type of authority includes the primary movement of a wrecked or disabled vehicle from the scene of the accident or disablement to a point for repairs or storage. No additional authority is required to transport the contents of a wrecked or disabled vehicle to a point of storage or repair.

<u>Railroads - Biennial Workload</u>	<u>1973-1974</u>	<u>1974-1975</u>
Formal cases opened	154	181
Hearings held	138	165
Orders issued	167	227
Informal cases opened	87	94
Field investigations	652	616
Highway crossing plans approved	142	144

In this biennium the Tariff Bureau audited about 9400 freight bills for the shipping public and, as a result, found approximately \$9,000 in overcharges assessed through improper application of motor carrier rates on file with this Commission. The audit covered freight bills involving transportation services

for various State departments and those submitted by the Public Carrier Investigation Unit of the Motor Vehicle Department in connection with its compliance checks of common and contract motor carrier transportation of property and package express.

The Bureau participated in 24 formal hearings on applications filed by public contract carriers and common motor carriers transportation of property and passengers, mostly involving passenger fare increases. At the direction of the Commission, the Bureau processed and issued informal approval on 161 applications for tariff publication authority made by common motor carriers of property and passengers and public contract carriers of household goods. Such informal approvals were also issued on applications received from Wisconsin municipalities operating as common carriers of passengers implementing programs for reduced fares for qualified elderly and/or handicapped, which fares were approved in connection with Department of Transportation Operating Assistance programs providing State funds to encourage the use of public mass transportation systems. In addition, the Bureau also participated in hearings involving the declaratory ruling on tow-truck authorities (DR-63). It also handled 130 complaints filed with the Commission by the public against common carriers of property and passengers and contract carriers of household goods on loss and damage claims, service and rates.

A May 15, 1975 Order (Docket No. 2-R-5972) authorized Wisconsin railroads to cancel all existing multiple-car pulpwood rates except those on pulpwood moving in shipper- or receiver-owned cars in intrastate commerce. Pulpwood shippers had protested the removal of multiple (10-car) rates on shipments of pulpwood moving in intrastate commerce, and filed a similar protest with the Interstate Commerce Commission regarding removal of the same type of rates in interstate commerce. The I.C.C. authorized cancellation of the 10-car rates in interstate commerce; however, the PSC order held that 10-car rates should remain in effect in intrastate commerce when such shipments were moved in privately owned cars. Certain Wisconsin intrastate shippers and receivers spent large sums on gondola cars for the primary purpose of maintaining an adequate car supply and also to preserve on the 10-car rates in effect.

Formal highway-railroad crossing orders
issued in July 1, 1973-June 30, 1975 biennium

Ordered signals at 136 crossings	*Some orders denying installation of signals required other safety measures.
*Denied signals at 8 crossings	
Ordered closing of 12 crossings	
Denied closing of 2 crossings	
**Ordered establishment of 44 crossings	**Private crossings made public are included in "Establishment of crossings."
**Denied establishment of 9 crossings	
Ordered alteration of 24 crossings	
Ordered new (or alteration of) 29 separated structures	

When establishment of a crossing or new or improved crossing protection is being considered by the Commission, its investigation includes obstructions to view, together with the approaches to, and the angle of, the crossing; traffic counts, vehicular and pedestrian; number of freight and

passenger trains; speed of trains and legal speed of vehicles; traffic patterns, including use of the street or highway as to business establishments, schools, churches, and fire-fighting equipment; such seasonal factors as tourist traffic or fog conditions; and the accident history at the crossing.

The Commission's file of statistical information on each rail-highway crossing includes accident records begun in 1911 and kept up to date. This information can be the basis for the Commission instigating investigations and proceedings on its own motion in addition to action on complaints, petitions, or applications related to crossings and crossing protection.

In accordance with changes in section 195.28, Wis. Stats. pursuant to chapter 155, Wis. laws of 1973, the railroads in Wisconsin are now eligible for apportionment of the maintenance cost of crossing signals and there is no limit on the State's share of the installation cost (previously the statutes provided that the State's share could not exceed 70% of the cost). Apportionment orders issued under the new law have set the State's share of maintenance at 85% of the cost and the State's share of the installations at 85% of the cost or as provided in related agreements when the installation is a federal project negotiated by the Wisconsin Department of Transportation. During the biennium 79 apportionment orders were issued.

The Commission's concern with safety extends to safety aspects of railroad-industrial operations. During the biennium, 48 orders were issued on applications to maintain vertical or horizontal clearances between railroad tracks and structures or installations which are less than the clearance requirements of Wisconsin Statutes or the Commission's Wisconsin Administrative rules designed to administer said statutes under current conditions.

There were 34 Orders issued relating to the removal of spur tracks no longer utilized by industry.

