

**BIENNIAL REPORT**

**OF THE**

**PUBLIC SERVICE COMMISSION**

**OF WISCONSIN**

**July 1, 1960 to June 30, 1962**

**LEONARD BESSMAN**  
Chairman

**ARTHUR L. PADRUTT**  
Commissioner

**STANLEY P. HEBERT**  
Commissioner

**EDWARD T. KAVENY**  
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, 1960 to June 30, 1962.

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.

### PUBLIC SERVICE COMMISSION OF WISCONSIN

LEONARD BESSMAN  
*Chairman*

ARTHUR L. PADRUTT  
*Commissioner*

STANLEY P. HEBERT  
*Commissioner*

EDWARD T. KAVENY  
*Secretary*

Madison, Wisconsin  
December 3, 1962

## I. INTRODUCTION

### A. Commission jurisdiction

The powers and duties of the Public Service Commission of Wisconsin are delegated to it by the legislature. Included within the Commission's jurisdiction is the regulation of the rates and service of:

Common carriers of property by water -----	4
Common motor carriers of passenger and property --	319
Contract motor carriers of property -----	12,576
Electric railways -----	4
Electric utilities -----	116
Express companies -----	1
Gas utilities -----	14
Heating utilities -----	5
Sleeping car companies -----	1
Steam railways -----	18
Telegraph companies -----	1
Telephone utilities -----	223
Urban trackless-trolley systems -----	1
Water utilities -----	447

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.

Statistical studies and continuing records of property and of financial operation and condition of the companies under Commission jurisdiction are constantly made by the Commission. They are valuable aids in the difficult task of prescribing orders balancing the right of the public to adequate utility service at reasonable rates and the constitutional right of the utility to an adequate return on its invested capital.

### B. Utilities—Service—Plant

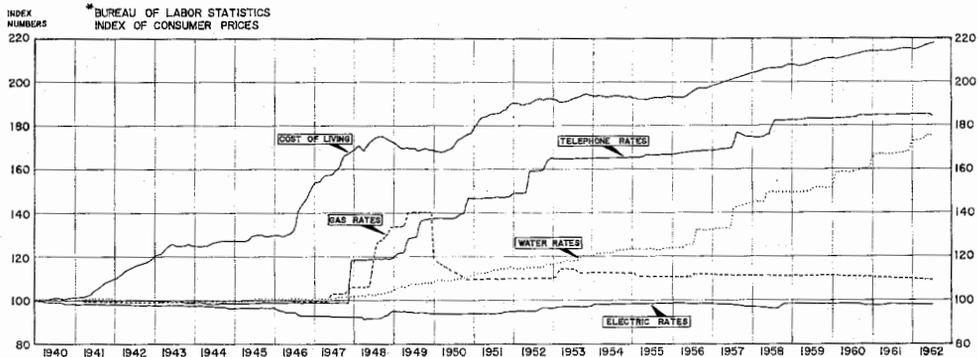
The waiting list for natural gas space heating has disappeared in communities where natural gas is now available. Population shifts and the expanding community of interest

are being met by increased toll-free telephone service between communities.

Plant expansion to meet growing residential and industrial demand is being constructed during a period of high materials and labor cost. This plant adds to the rate base on which allowable rate of return is computed, and increases depreciation charges and property taxes.

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

DECEMBER 1939 = 100

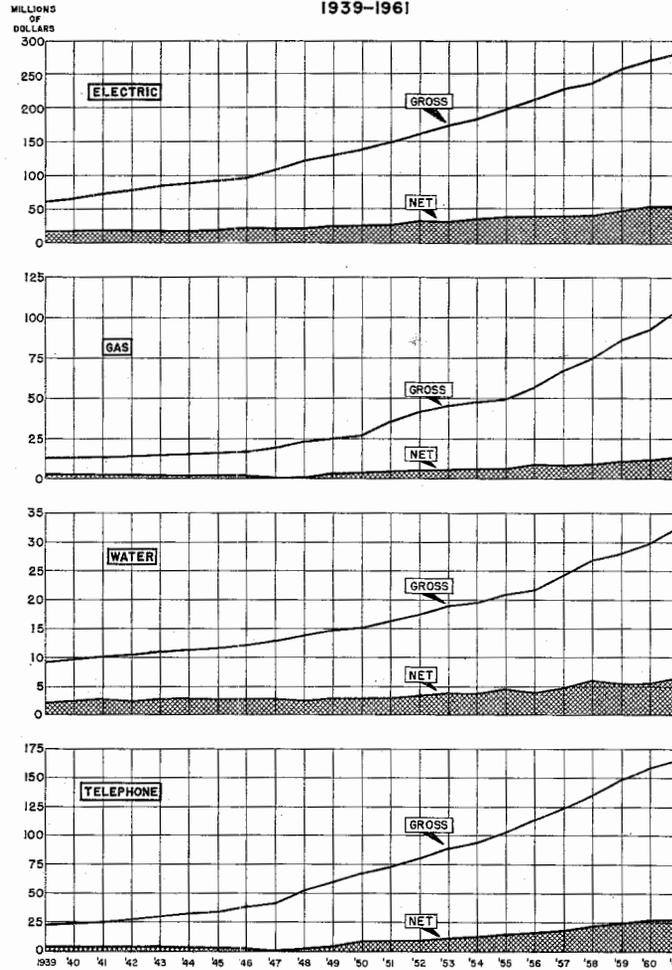


### C. Utilities—Rates

The graph of index numbers shows that regulated utility rates lie well below the U. S. cost-of-living curve. It also illustrates differences in operating characteristics among the four types of utilities. Largely because mass production and high volume are especially advantageous to power production and use, electric rates have not risen over the 1939 base. The 1949 downward plunge in gas rates represents the introduction into the state of quantities of natural gas which was cheaper than manufactured gas. The retail charges for natural gas are affected by action of the Federal Power Commission which has jurisdiction over wholesale rates.

Though not enjoying the operating advantages of high volume to the same extent as electric and gas utilities, the telephone and water utilities are nevertheless faced with meeting increasing demands for service.

GROSS AND NET OPERATING REVENUES  
PUBLIC UTILITIES OPERATING IN WISCONSIN  
1939-1961



D. Savings to Wisconsin Customers

Under sections 196.02 and 196.07, Statutes, the Commission requires annual, and in some cases monthly, financial and operating reports. The Commission examines these reports regularly. When such reports indicate that earnings exceed an adequate return, the Commission confers with utility management for the purpose of determining whether

a rate reduction should be made. Conferences of this nature during the biennium resulted in rate reductions totaling several million dollars:

Telephone companies -----	\$2,912,530
Gas utilities -----	1,471,695
Electric utilities -----	2,159,797

These reductions in rates were realized without the Commission exercising its statutory power to institute formal proceedings for this purpose on its own motion.

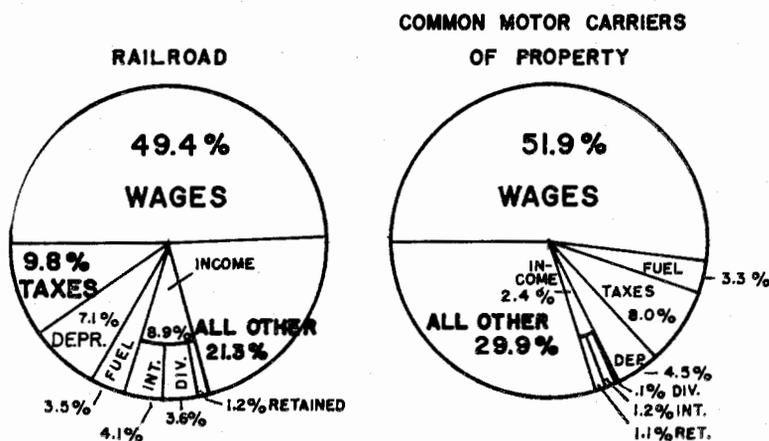
However, in many instances, increased operating costs required the Commission to grant applications for increased rates. Rate increases during the biennium totaled the following amounts in dollars:

Telephone companies -----	\$1,953,444
Gas utilities -----	787,725
Electric utilities -----	1,122,423

**E. Labor costs**

The impact of wage increases is most forcefully felt when labor expense is a high percentage of the cost of doing business. See the following statistics and the Revenue Dollar charts on this page and pages 9 and 10.

**THE TRANSPORTATION REVENUE DOLLAR  
1961 DATA**

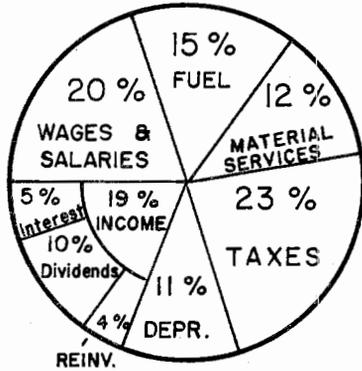


# THE UTILITY REVENUE DOLLAR

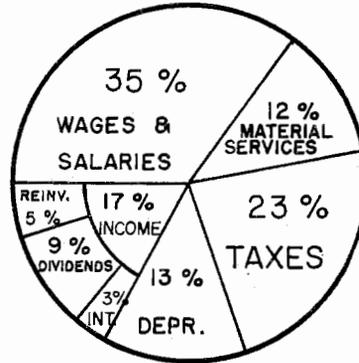
1961 DATA

## ELECTRICITY

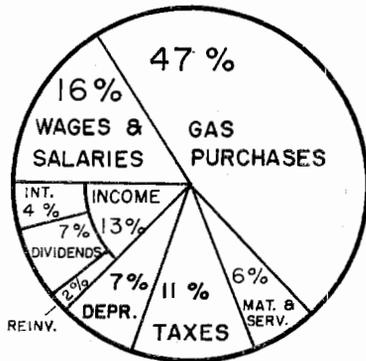
PRIVATE UTILITIES



## TELEPHONE

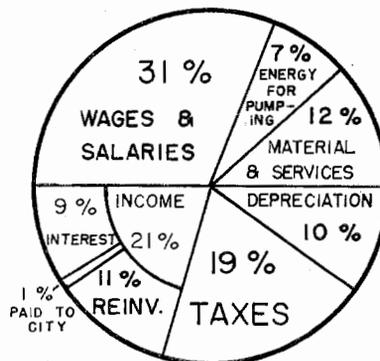


## GAS



## WATER

MUNICIPAL UTILITIES



WISCONSIN TELEPHONE COMPANIES AVERAGE HOURLY PAY OF NONSUPERVISORY WORKERS

Year	Hourly compensation
1950	\$1.32
1955	1.77
1957	1.97
1959	2.12
1961	2.30

INTRASTATE COMMON MOTOR CARRIERS OF PROPERTY AVERAGE HOURLY COMPENSATION OF MAINTENANCE AND TRANSPORTATION EMPLOYEES

Year	Average hourly wage
1950	\$1.6310
1955	2.3486
1957	2.5933
1959	2.8521
1961	3.1312

ALL RAILROAD EMPLOYEES AVERAGE STRAIGHT-TIME HOURLY COMPENSATION

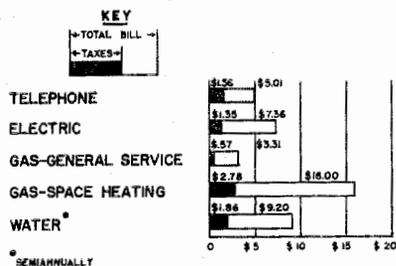
Year	Hourly compensation
1950	\$1.57
1955	1.965
1957	2.285
1959	2.558
1961	2.688

F. Taxes—Utilities

Chapters 620 and 652 of the Laws of 1961, relative to relief of real and personal property taxes, include provisions for the use of revenues from the selective sales tax for a

TAXES INCLUDED IN TYPICAL UTILITY BILLS OF MADISON HOMES

1961 DATA



reduction in property taxes paid by various Wisconsin public utilities under the requirements of section 76.13, Statutes, and telephone license fees paid by telephone utilities under the provisions of section 76.38, Statutes. Utility property taxes and license fees will be reduced approximately 10% as a result of these Statutes.

The Commission intends that these tax savings be passed on to the consumer whenever this benefit can be realized without impairing the utilities' ability to render adequate service.

**G. Telephone—Toll rates reduced**

As a result of continuing studies made jointly by representatives of state commissions, through the offices of the National Association of Railroad and Utilities Commissioners, Federal Communications Commission, and the Bell Telephone System, certain changes were made during this biennium in the methods of allocating expenses and plant investment between intrastate and interstate operations of the Bell System. As a result of these changes, intrastate toll revenue requirements for the Wisconsin segment of the portion of the toll facilities operated by the Bell System were reduced more than one million dollars, an amount included in the total sum already stated as a savings to subscribers. This amount has been used to reduce intrastate toll rates within Wisconsin and is an additional step in decreasing the disparity in toll rates within Wisconsin as compared to interstate rates.

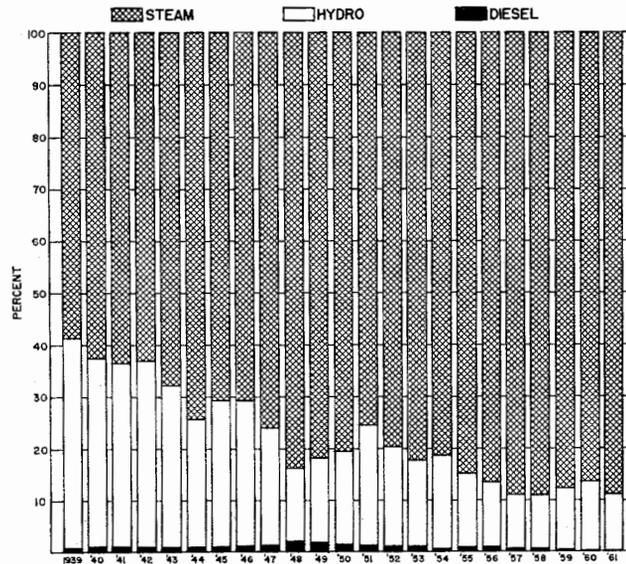
II. ELECTRIC UTILITIES

A. Shifting boundaries

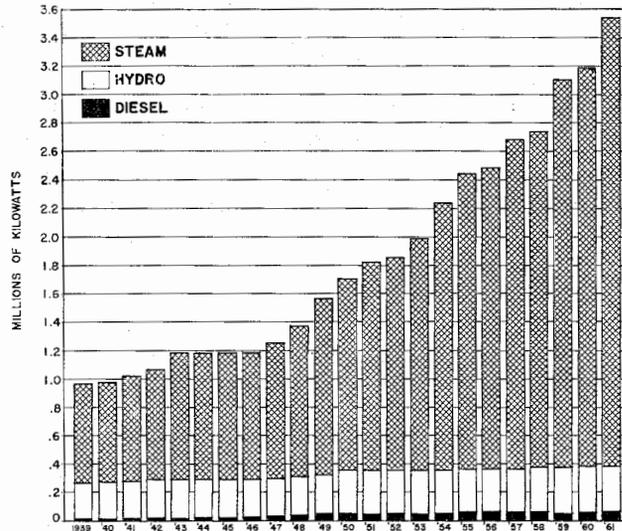
Frequently a population shift creates alterations in municipal boundaries which sometimes require changes in utility service areas. For example, when the city of Madison annexed adjacent areas in which Wisconsin Power and Light Company had provided electric service, that Company and the Madison Gas and Electric Company serving Madison, negotiated agreements for the sale of property and transfer of customers to Madison Gas and Electric. There were two such agreements in this biennium, one involved 11 customers; the other involved 24 customers, 15 of whom resided in an area whose annexation was expected in the immediate future.

Chapter 490, Laws of 1961, supplies procedures to avoid duplication of electric facilities in areas annexed after January 1, 1961.

KILOWATT HOURS GENERATED BY UTILITIES IN WISCONSIN  
 PERCENTAGE DISTRIBUTION BY TYPE OF GENERATION  
 1939-1961



ELECTRIC GENERATING CAPACITY OF UTILITIES  
IN WISCONSIN  
1939—1961



B. Plant construction

The following tabulation illustrates the growth pattern in electric public utility plant:

1940	-----	\$ 320,055,340
1945	-----	360,434,795
1950	-----	523,820,707
1955	-----	799,528,936
1960	-----	1,085,200,874
1961	-----	1,156,495,876

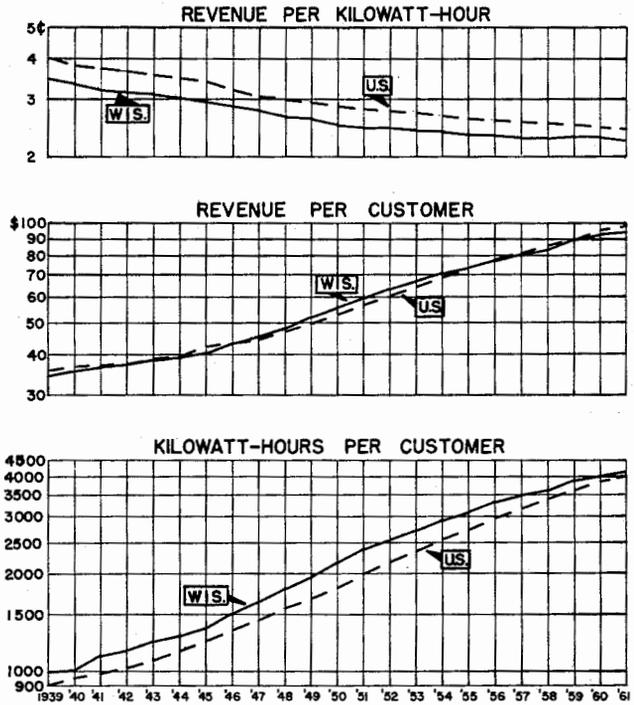
Future figures will be swollen by plant certificated in this biennium: 36 certificates of authority authorizing a total expenditure of \$37,269,760, including Wisconsin Public Service Corporation's new \$20,000,000 generating unit at its Green Bay Pulliam Steam Plant. This unit is being installed according to the terms of a power pool agreement with Wisconsin Power and Light Company.

Under the power pool organization, members and their customers benefit from the economies made possible through interchange of emergency energy (including times of outages for scheduled maintenance and repair) and jointly planned generation and transmission.

Wisconsin Michigan Power Company and its parent company, Wisconsin Electric Power Company, operate as a "family power pool." The steam and hydro plants of the affiliated companies are so integrated that both utilities benefit.

Milwaukee Gas Light is constructing a technical center facility in Glendale in which to conduct basic and advanced research. Among the projects under consideration is the evaluation of the economic feasibility of generating electricity with natural gas in relatively small plants.

ELECTRIC RESIDENTIAL REVENUE AND CONSUMPTION RATIOS  
 WISCONSIN AND UNITED STATES 1939-1961  
 (RATIO SCALE)



**C. A Wisconsin Atomic Reactor Plant**

The Commission in an order dated April 26, 1962 (2-WP-1589) found in the public interest the Dairyland Power Cooperative's proposed lease of rights in a portion of the bed of the Mississippi River near its generating plant south of Genoa, Vernon County. The cooperative plans to fill and use the leased area to improve navigation for coal barges for fueling additional conventional generating units and to enlarge the site for a 50-megawatt electric atomic reactor plant. The order includes procedure for maintaining public rights in navigable water involved.

### III. GAS UTILITIES

#### A. Gas utility plant

Construction and installation estimated to cost a total of \$36,869,531 were authorized in 49 certificates of authority and 4 certificates were amended to increase previous cost estimates by \$1,369,695. As of December 31, 1961, gas plant and facilities in use in the state were valued at \$258,700,725.

#### B. Natural gas distribution

The map on page 17 depicts the areas of present and proposed utility gas distribution. Communities shown as "proposed" had been certificated by the Commission as of July 30, 1962. For some, natural gas is now available; others are awaiting approval of gas allocations from the Federal Power Commission. Because of space limitations, small communities and towns are not shown on the map.

The numbers on the map represent the company distributing, or certificated to distribute, gas in the area. The group of Cornell, Boyd, Owen, Medford, Unity, etc. (not numbered) are proposed to be served by American Gas Company of Wisconsin, Inc. NR Gas, Inc., proposes to serve New Richmond. Subsequent to this biennium, the public utility property of Consumers-City Gas Corp. was sold to Wisconsin Power and Light Company.

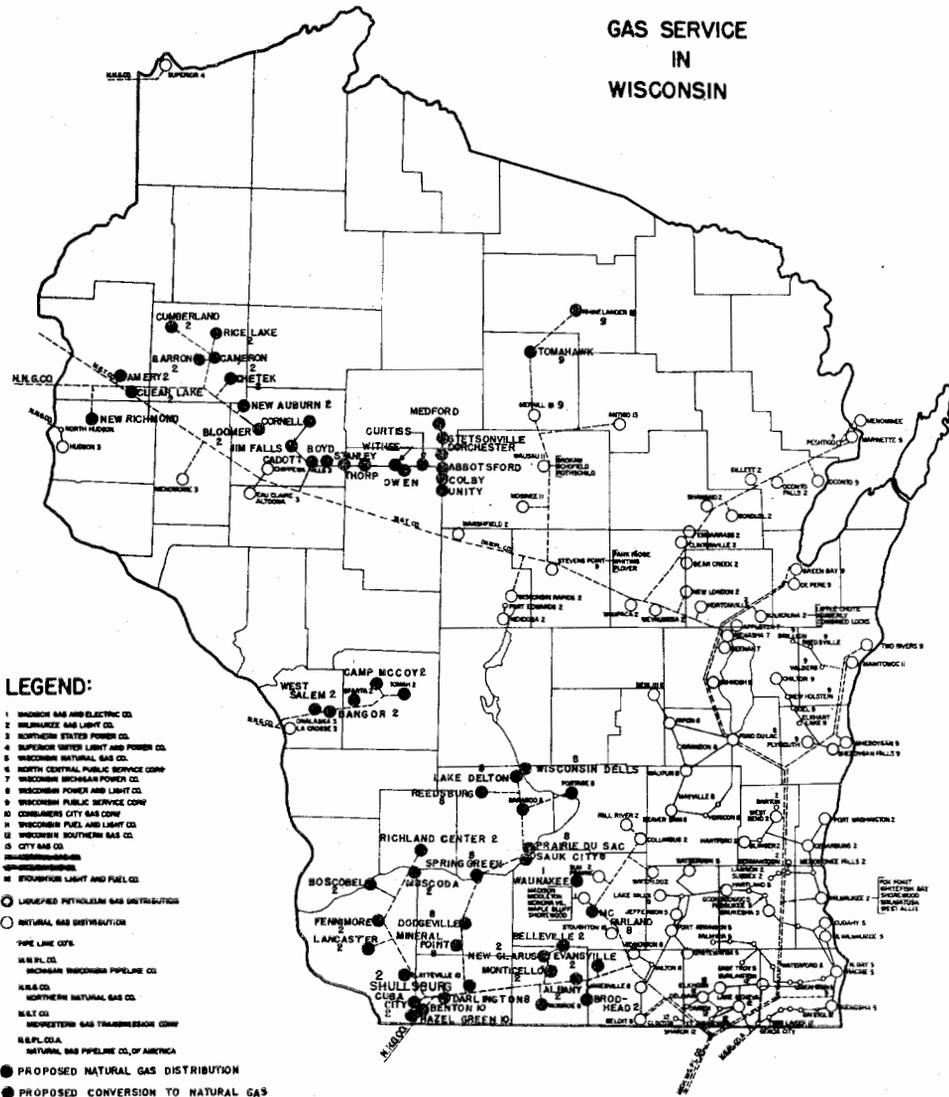
#### C. Natural gas supplies

During the biennium there was a large expansion of natural gas service, principally in the northwest and southwest portions of the state.

Prior to 1960, the southeastern portion of the state was being developed through gas supplies from two large pipeline companies. Michigan-Wisconsin Pipe Line Company served through a line extending from the Illinois border up the eastern part of the state through Fond du Lac and terminating at Green Bay. Natural Gas Pipe Line Company of America served the southeastern section of the state by sales to Wisconsin Southern Gas Company.

A Midwestern Gas Transmission Company line, started in 1960, was completed late in 1961 from Canada down through part of Minnesota to join a westward extension of Michigan-Wisconsin Pipe Line Company at Marshfield, Wisconsin.

GAS SERVICE IN WISCONSIN



An application is pending before the FPC for authority to extend a Stevens Point-to-Merrill line through Tomahawk to Rhinelander.

An FPC case involving Northern Natural Gas Company's proposed extensions has been set for hearing. The Commission will participate in this and other cases before the FPC which involve pipeline companies operating in Wisconsin.

All Wisconsin gas utilities expanded service to areas near the interstate pipelines. With four major pipeline companies now supplying gas to Wisconsin, the state should be assured of continuing natural gas supplies.

#### D. Service area disputes

There have been several gas service area disputes.

Before a company may convert to or introduce natural gas service in any town, village, or city, (1) the local governmental body must adopt a "contract, ordinance or resolution" approving and authorizing the utility to render the service, and (2) the Commission must grant the utility a certificate authorizing it to perform the service and construct and install plant and facilities (sections 196.49 and 196.58 (6), Statutes).

##### 1. *Service in New Berlin*

Milwaukee Gas Light Company's application to operate as a natural gas public utility in, and to construct facilities in, the city of New Berlin was opposed by Wisconsin Natural Gas Company which already had facilities in and furnished natural gas service in portions of the city. An interim order of May 11, 1961 (46 P.S.C.W. 179) provided that, pending disposition of the proceeding and without prejudice to the rights of either company, Wisconsin Natural Gas was authorized to serve in the city. It required Wisconsin Natural Gas to keep specified records to facilitate the sale of plant and transfer of customers in the event Milwaukee Gas Light's application was ultimately granted.

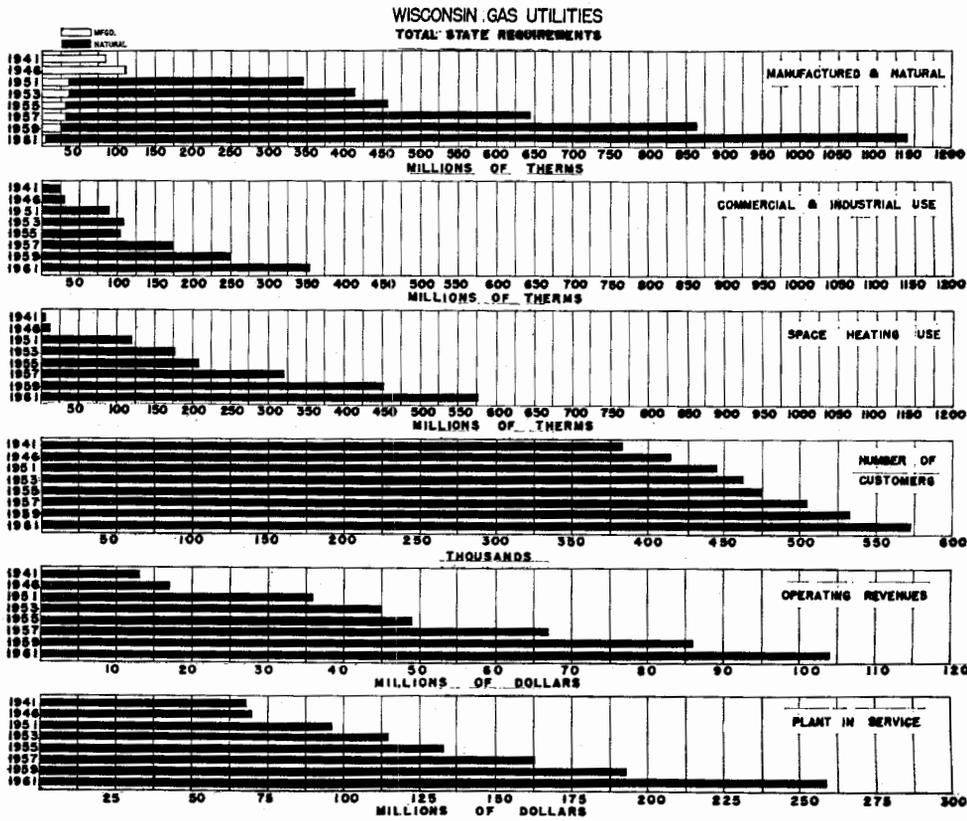
The Commission in this docket (CA-3967), dated January 22, 1962, found that Wisconsin Natural Gas and its predecessors had continuously served in the town and the city of New Berlin and that it had and was rendering adequate service at reasonable rates. Consequently, the application of Milwaukee Gas Light was denied.

2. *Competing applications to serve in new areas*

In Docket CA-4029, Milwaukee Gas Light Company made application to serve as a natural gas utility in 36 villages and cities and one military installation. Wisconsin Power and Light contested the application requesting authority to serve 21 of the communities involved.

The Commission granted the application in part, basing its order\* upon geographical considerations which would best promote efficient and economical service.

\* Joint Dockets CA-4029, CA-4051, CA-4064, and CA-4065.



*3. Sale of Merrill Gas Company*

The offer of Merrill Gas Company to sell its utility and Rural Gas, a nonutility affiliate bottle gas company, resulted in two prospective purchasers. In Docket 2-U-5596 (46 P.S.C.W. 493), Milwaukee Gas Light Company offered the sum of \$485,500 for the stock of Merrill Gas utility and the sum of \$295,000 for the nonutility company. In Docket 2-U-5682 (46 P.S.C.W. 548), Wisconsin Public Service Corporation offered the considerably larger sum of \$740,000 for the purchase of Merrill Gas Company alone.

The Commission approved the offer of Wisconsin Public Service Corporation as consistent with the public interest because it would enable Merrill Gas Company to satisfy its liabilities, both current and contingent. The latter resulted from a gas explosion in Merrill during July 1960, which caused deaths, personal injuries, and great property damage. Since the approved contract price greatly exceeded the book value of Merrill Gas Company property, the Commission ordered the excess to be amortized over a period not in excess of five years by charges to be borne by the stockholder rather than the rate payer.

Commissioner Padrutt's concurring opinion based withholding approval of purchase by Milwaukee Gas Light on the ground that the "climate of public relations" at Merrill was such as to place the company in a "most untenable and anomalous position" to render adequate service.

## IV. TELEPHONE UTILITIES

Telephone utility orders issued by the Commission illustrate the shift of Wisconsin's population from rural areas to the industrialized southeastern part of the state. On the other hand, many city dwellers have moved to suburbs and other less populated areas. These movements cause the population centers to expand, bringing demands for better service between those persons remaining in the heavily populated areas and those persons moving into the surrounding and less densely populated areas.

## A. Rural service

In Docket 2-U-5433 (45 P.S.C.W. 663) the Commission observed that the Sussex exchange was growing rapidly because of an influx of residents from nearby Milwaukee. Since the new residents of Sussex were accustomed to urban-type telephone service, the Commission approved an order replacing multi-party rural service in favor of urban grades of service.

In the table below, the designations "Urban" and "Rural" refer to grade or type of service, not to the geographic locale of the service. While the beginning of the swing to urban grades of service occurred in the 146,534 increase in urban telephones between 1955 and 1960, the actual decrease in rural type service underscores the trend. During this biennium, there have been 12 authorizations of discontinuance of multi-party rural service. A total of 75 exchanges have locality area rates; 9 have zone rates. Enlargement of the local base-rate area has also accounted for including in the central urban area, territory formerly regarded as rural.

URBAN AND RURAL MAIN TELEPHONES  
IN WISCONSIN

Year	Urban	Rural
1940.....	372,431	86,669
1945.....	466,467	105,187
1950.....	659,962	141,563
1955.....	797,181	157,876
1960.....	943,715	175,734
1961.....	970,835	173,667

**B. Telephone service in Dane County**

In Docket 2-U-5669, the petitioners asked for additional extended-area service in Dane County. They proposed that toll free service be extended virtually throughout the county with the increased cost spread equally among all exchanges.

The Commission denied the petition because the evidence showed that usage was insufficient and most of the cost would be paid by Madison subscribers, few of whom would be potential users of the service. However, jurisdiction was retained for the purpose of further study of those areas in which more than one toll call a month per main station was shown.

**C. Service in the Milwaukee area**

In Docket 2-U-5644, Wisconsin Telephone Company was granted rate increases to apply at the Pewaukee exchange to compensate for extended-area service between Pewaukee and the west zone of the Milwaukee exchange and Waukesha, which increased the calling area of Pewaukee from 2,000 to 27,900 stations.

In lieu of message toll rates, the less expensive message unit service was established between the Pewaukee exchange and North, Milwaukee, South Milwaukee, and Hales Corners zones of Milwaukee exchange and Menomonee Falls exchange. It was estimated that the new rates would save Pewaukee customers about \$56,400 a year in toll charges.

Similar orders in 2-U-5607 and 2-U-5664 related to Menomonee Falls and Waukesha exchanges (46 P.S.C.W. 436, 613).

Within the Milwaukee area, direct telephone service between the five zones of the Milwaukee exchange, the Muskego, Thiensville, Big Bend, Cedarburg, Hartland, Menomonee Falls, Pewaukee, Sussex, and Waukesha exchanges is becoming increasingly available.

**D. Telephone competition in Osseo**

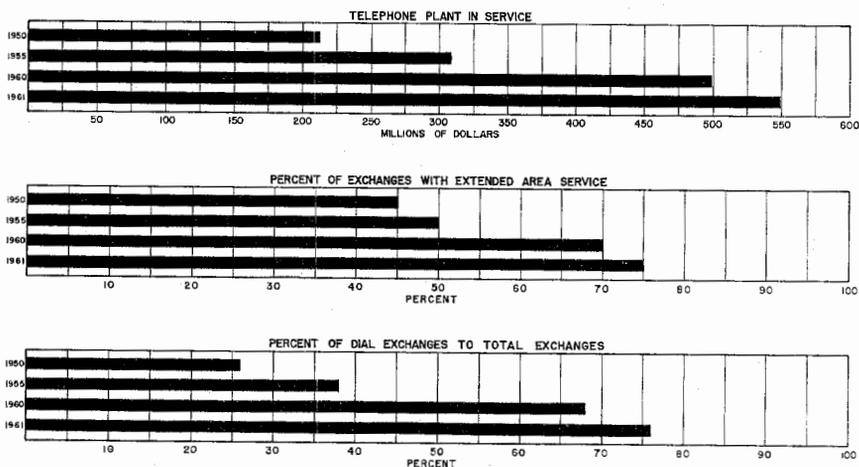
The city of Osseo is the only remaining community in Wisconsin where two companies maintain exchanges that compete for subscribers. Both General Telephone Company of Wisconsin and Beef River Valley Telephone Company began their service in Osseo before the 1913 enactment of

section 196.50 (1) which empowers the Commission to prevent unnecessary duplication in utility service.

Section 196.50(2) authorizes any public utility already furnishing telephone service to subscribers in any city to extend its exchange in that city without Commission authority.

Under these circumstances, the Commission did not attempt to order the cessation of competition. The companies voluntarily discontinued a ten-cent charge on calls they had imposed between the two exchanges.

WISCONSIN TELEPHONE UTILITIES



E. Conversion to dial

Conversion to dial telephone service continues among the small companies. The increase, expressed in percentages, is shown below:

PERCENT OF DIAL MAIN TELEPHONES TO TOTAL MAIN TELEPHONES	
Year	Percent
1950	67%
1955	76%
1960	88%
1961	91%

F. Plant expansion

In addition to 65 certificates of authority authorizing plant estimated to cost \$11,065,888, four Class A and B

telephone companies submitted gross construction budgets totaling \$110,098,380. Installation costing about \$60,000 was approved by letter.

Many small companies, unable to raise the capital to improve and expand plant to meet the demand for more and better service, have abandoned operations. Usually, such companies sell their utility assets to another telephone utility which continues to furnish the service.

The enumeration below includes switching companies, some of which were started years ago by groups of farmers.

TELEPHONE COMPANIES IN WISCONSIN	
Year	No. of companies
1940	746
1944	720
1948	601
1952	498
1956	407
1960	314
July 1, 1962	223

#### G. Rates—calling area

Two rate orders this biennium introduced telephone "group" rates. The Commission recognized the progression in quality of service from magneto to common battery to dial. It gave weight to the cost of service at individual exchanges as well as to the value of the service as represented by the size of the calling area.

#### H. Rates—General Telephone Company—North-West Telephone Company

The proceedings in Docket 2-U-5149 included a study of the operation of General Telephone Company of Wisconsin and transactions with its parent company and its several sales, manufacturing, and service affiliates.

The rates authorized increased General Telephone Company's over-all rate of return from 4.81% to 5.94%, resulting in increased annual income in the sum of \$1,022,502, as compared with the company's request for the sum of \$2,524,052.

In granting North-West Telephone Company revised rates for its 21 exchanges, the Commission allowed a rate of return of 4.33% which was considered reasonable in view of the low cost of common equity attributable to a \$7,941,000 REA loan.

## V. WATER UTILITIES

### A. Municipal boundaries—Service, facilities

The Commission ordered the La Crosse water utility to provide service to town of Shelby property abutting existing mains because previous action by the utility in extending service in such areas established an obligation to render such service.

Effective August 16, 1961, Chapter 369, Laws of 1961, created section 196.58 (7), Statutes, setting forth procedure whereby a municipal water utility could install mains or pipes in adjacent municipalities. Under that section, the Milwaukee water utility was authorized to install a 16-inch main, a portion of which was within the village of Brown Deer. The installation required to extend service entirely within Milwaukee would have involved 34,300 feet of main estimated to cost \$592,000 as contrasted with \$341,360 for 19,908 feet under the plan authorized in a November 10, 1961, order issued pursuant to the new statute.

### B. Wholesale service

The Kimberly water utility requested permission to discontinue wholesale service to the Combined Locks utility; the Commission denied the request. In the order the Commission said:

The fact that the customer is another village and therefore entirely outside its own limits is not material. It must treat all customers equally without unjust discrimination. It cannot continue to serve some customers and not others for which it acquired equal responsibilities and obligations.

If the continuation of service requires additional facilities, they must be provided . . . . If these additions require an increase in revenues, they can be obtained by proper application to the Commission. (45 P.S.C.W. 528, 529)

There were 447 water utilities in the state as of June 30, 1962, of which number 428 are municipally owned.

### C. Metered service

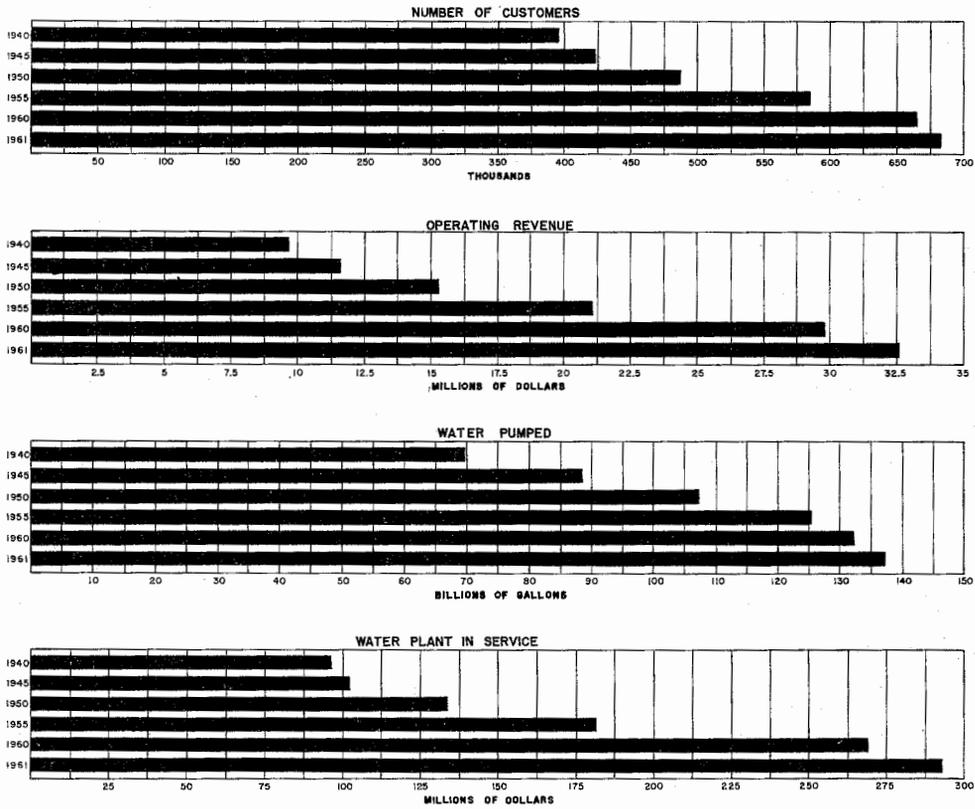
The Commission reaffirmed its position that water service should be metered in an order which required the West-

brooke Sanitary District in Waukesha County to install meters. Discouraging waste of water and elimination of discriminatory rates were cited as reasons for a requirement that all water customers be metered.

**D. Plant—Installation**

Installation required to furnish new or added or more adequate service is indicated by the following table of certifi-

**WISCONSIN WATER UTILITIES**



cates of authority issued during the biennium for plant construction, some of which is not yet completed:

Number of Certificates		
78	additional plant -----	\$21,663,927
6	new municipal utilities -----	2,624,331
2	new private utilities -----	99,190
<u>86</u>		<u>\$24,387,448</u>

The above does not include millions of dollars expended, chiefly for mains, and approved under the Statutes and Commission rules by other than formal certificates of authority.

#### VI. SEWER UTILITIES

When any town, village or city of the fourth class by ordinance combines its waterworks plant and the plant for treatment of disposal of sewage into a single utility (section 66.077, Statutes), sewer rates and service come within the Commission's jurisdiction. A total of about 90 such utilities are now regulated by the Commission.

According to Chapter 60, Laws of 1961, amending section 196.01(1), Statutes, any privately owned sewer utility may elect to have the Public Service Commission establish suitable and proper rates for its service. The first request from a privately owned water utility for establishment of sewerage rates was that of the Pleasant Park Utility Company, Inc., for authority to establish a monthly rate of \$3. (46 P.S.C.W. 474)

Two orders were issued in Joint Dockets 2-U-5150 and 2-U-5159 (August 29, 1960, and November 24, 1961) wherein the city of Madison complained, under procedures specified in section 66.208(2), Statutes, of excessive 1958 and 1959 charges by the Madison Metropolitan Sewerage District. In each order, the difference between the charges proposed by the Sewerage District and those authorized by the Commission was due to variance in allocating expenses and fixed charges. The difference between the two orders was largely due to the first dealing with estimates and the second with different and actual data. The latter found that the city had been overcharged a total of \$26,453

for the two years' service. (45 P.S.C.W. 508 and 46 P.S.C.W. 571) Review proceedings under Chapter 227 were instituted in Circuit Court for Dane County by the Madison Metropolitan Sewerage District to review the orders of the Commission. Before the cases were reached for trial, they were settled by agreement entered into between the city of Madison and the District.

In the period covered by this report, three new municipal sewer utilities were certified to operate as public utilities and to construct plant estimated to cost a total of \$1,522,902.

## VII. SECURITIES—ACCOUNTING—UTILITIES

## A. 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 80 applications and granted authorizations to issue \$170,544,768 par or face value of securities. Proceeds from the sale of such securities, exclusive of corporate issuance expense, aggregated \$171,522,728. Classification of these amounts by types of securities is shown below.

Type of security	Par or face value	Proceeds	
		Amount	%
Common stock.....	\$ 45,070,299	\$ 45,626,249	26.6
Preferred stock.....	6,500,000	6,500,000	3.8
Bonds and other debt.....	118,974,469	119,396,479	69.6
Total.....	\$170,544,768	\$171,522,728	100.0

The predominant purpose 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:

Proceeds used for	Amount
Construction .....	\$164,520,127
Refunding of outstanding securities .....	5,017,561
Stock dividends .....	1,378,790
Merger or acquisition of property .....	606,249
Total .....	\$171,522,728

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.

The greater number of the security applications filed with the Commission met all the requirements of the Statutes. In a few instances, it was necessary for the Commission to impose conditions in the certificate of authority authorizing the securities in order that statutory standards could be met.

A telephone utility, requiring \$140,000 additional capital to convert to dial operation, applied for authority to issue a First Mortgage Note in that amount. The proposed loan agreement provided that during the first 10 years after issuance of the long-term note, no prepayments be made by the utility except from internal sources and specifically excluding funds from borrowings, advances, asset conversion, or externally supplied funds from whatever source. In its order in Docket 2-SB-812, the Commission said

Such a restriction on redemption of debt is unreasonable as it restricts payment for too long a period and prohibits payment of debt for such period even from funds supplied by additional stock issues.

It is considered reasonable, in conformance with sound financial practices, and in the best interests of utilities, that debt be callable upon payment of a reasonable premium. It is common practice among Wisconsin utilities issuing debt under competitive bidding procedures not to limit the period within which an issue may be called. On debt issued and sold through private negotiation, a 5-year freeze is sometimes imposed on redemption privileges. (45 P.S.C.W. 708)

One of the conditions of the certificate authorizing the issuance of the Mortgage Note was prepayment procedure coinciding with the reasonable practices above stated.

In the same case, the statutory requirement for reasonable security ratios necessitated conditions designed to improve the ratios as rapidly as possible. The Commission observed that the proposed First Mortgage Note would result in long-term debt being 67.5% of the telephone utility's capitalization structure. Conditions of the certificate to issue the Note included:

3. The interest rate on said \$140,000 of 20-year Mortgage Note, initially set at 6¼ percent per annum, shall be reduced to, and thenceforth be, 6 percent per annum, commencing with the first semi-annual payment of interest at the date of which the ratio of said notes outstanding to the total capitalization and surplus of Applicant is less than 60%, provided the income of Applicant, before taxes and interest, for the calendar year preceding said interest payment date, as reported in its annual audited statement, is equal to two times the annual interest requirements at a 6 percent rate on the principal amount of said note outstanding on said interest payment date.

5. Stockbridge & Sherwood Tel. Co. shall not declare or pay any cash dividends on common stock in excess of \$1,000 per annum until the ratio of debt to total capitalization and surplus is less than 60 percent and then cash dividends on common stock shall not exceed 50 percent of common stock earnings until the ratio of debt to total capitalization is less than 50 percent. (45 P.S.C.W. 710)

#### **B. Accounting**

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

Subject to minor modifications, the Uniform System of Accounts recommended by the National Association of Railroad and Utilities Commissioners (NARUC) were prescribed by this Commission to become effective as of January 1, 1961, and to apply to privately owned electric, gas, and water utilities, Classes A, B, C, and D.

By an order of April 27, 1961, the Commission adopted for use by Classes A, B, and C electric, gas, and water utilities NARUC-recommended regulations governing the preservation of utility records.

The annual report forms which each utility is required to file with the Commission have been redesigned to conform

with the revised systems of accounts and to supply the Commission with better data for regulatory purposes.

#### C. 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.

The Commission has certified depreciation rates for Class A and B electric, gas, water, and telephone utilities. In addition, for a number of privately owned utilities which have availed themselves of the liberalized depreciation provisions of section 167 of the Internal Revenue Code, the Commission has permitted such utilities, upon application, to charge additional depreciation expense equal to the tax savings effected by use of the liberalized depreciation methods. In effect, the Commission has permitted such utilities to compute depreciation charges on the basis of giving 52% weight to the liberalized depreciation method and 48% weight to the straight-line method.

In general, depreciation rates for the smaller Class C and D utilities have not been certified by formal order of the Commission. The depreciation allowances made by each utility, however, are checked by the staff when it reviews the annual report of the utility. 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 allowance. Through such annual review of the depreciation charges of the small utilities, it is believed their depreciation practices can be kept reasonably in line without formal certification of class rates of depreciation for each utility.

Because of the provisions of section 196.09 and the jurisdiction thereby conferred on the Commission with respect to depreciation rates and practices, controversy over this expense of operation has practically been eliminated in connection with rate case proceedings. Occasionally, however, circumstances are such as to require special treatment of depreciation problems.

In denying an emergency fare increase for Milwaukee & Suburban Transport Corporation, the order provided:

The company's method of computing depreciation charges is in need of revision, particularly as it relates to depreciation of motor vehicles which have a relatively short life. Depreciation has been taken on them on a group basis, whereas it might better have been accrued on a unit basis to be considered reasonable in a fare proceeding. It is reasonable to believe that a reduction of \$200,000 or more in depreciation charges would be realized by the use of such unit basis. With such adjustment, net operating income would be increased, and would be adequate to cover fixed charges and provide a return on common stock equity. (46 P.S.C.W. 344)

The corporation submitted a depreciation study which was reviewed by the Commission. Revised depreciation rates were certified in a December 28, 1961 order modifying previous orders in Docket 2-SB-510 relating to accounting practices and security issues associated with the purchase of The Milwaukee Electric & Railway Company by Milwaukee & Suburban Transport Corporation.

An important function of the accounting department is to present evidence in rate cases with respect to cost of capital for consideration of the Commission in determining rates of return. This function requires that continuous studies be made of financial data relating to securities of public utilities.

In the 1961 Supplemental Order in Docket 2-SB-510, full consideration was given "to the remaining lives of property as set forth in the company's program of modernization" and to "recognition of an estimated 25 percent salvage factor for the company's structures."

It was found that, due chiefly to excessive depreciation accruals on busses, the book reserve for depreciation exceeded the depreciation reserve requirement under revised depreciation rates by \$1,654,857 which amount was ordered credited to depreciation expense over an 8-year amortization period representing the approximate remaining life of the busses. The effect of this credit and the new lower depreciation rates based upon a uniform method of computing service life for all plant accounts, was to reduce annual depreciation expense from \$1,103,917 to \$882,081. (46 P.S.C.W. 662)

## VIII. TRANSPORTATION OF PASSENGERS

## A. Urban and suburban bus service

When suburban areas expand, extension of urban bus service is often requested. Service for a trial period is often ordered (as of June 30, 1962, Milwaukee & Suburban Transport Corporation was operating 11 trial routes), sometimes specifying an average passenger-load per trip which must be met to indicate that the service is needed and economically feasible. If the operating results are economically favorable, or if a definite public need for the extension is shown, the route is made permanent; if not, the service may be discontinued, or the trial period may be extended to allow opportunity for a more complete study of patronage or for alterations in the originally ordered service and further information.

While the cohesive effect of bus transportation is highly desirable to a metropolitan area, submarginal operations to outlying suburban areas should not be allowed to jeopardize basic service.

The following tables indicate the passenger bus riding trend in Wisconsin:

Year	URBAN BUS SERVICE		SUBURBAN BUS SERVICE*	
	Passengers	Vehicle miles	Passengers	Vehicle miles
	(in thousands)		(in thousands)	
1950.....	294,348	54,569	3,730	2,495
1952.....	231,291	51,349	4,043	3,404
1954.....	185,288	46,000	2,896	2,842
1956.....	156,806	40,066	2,330	2,609
1958.....	135,324	36,712	1,694	1,913
1959.....	134,694	35,612	1,650	1,862
1960.....	130,939	35,356	1,815	2,070
1961.....	121,113	34,066	1,736	1,987

\*The suburban group includes the type of service performed (for Badger Ordnance workers until 1957), for fringe metropolitan areas, between cities and airports and short-haul operations into and between nearby urban areas which cannot well be included in Urban Type Service.

## B. Interurban operations

In a December 22, 1961 order, Greyhound Corporation was ordered to partially restore previously discontinued Madison-Milwaukee service. In a May 28, 1962 order deny-

ing an application to curtail schedules on a different route, the Commission observed:

With increases of population in communities served along the Milwaukee-Rockford route, the need for commuter service to and from Milwaukee should increase.

### C. Bus fares

#### 1. *Madison Bus Company*

Three of the biennium's 18 dockets dealing with revision of urban bus fares authorized changes in the fare schedule of Madison Bus Company. The first raised the price of tokens from two for 25¢ to seven for \$1.00, to provide for a 96.5% operating ratio (the percentage relationship of operating expenses, before income taxes, to operating revenues). In the second order, it was estimated that a 96.3% operating ratio would result from discontinuance of tokens and application of current basic cash fare of 15¢. Like the previous orders, the last fare revision was required chiefly to eliminate further operating loss due to increasing labor costs resulting from a newly negotiated contract with retroactive provisions. Adult fares were raised from 15 to 20 cents and the token was restored to the fare schedule at three for 50¢; a 97.4% operating ratio was expected to result.

#### 2. *Milwaukee & Suburban Transport Corporation*

A January 5, 1959 order in MC-1616 and 2-SR-3404 established a final fare schedule for Milwaukee & Suburban Transport Corporation and required refund of the 5-cent difference between the price paid for weekly passes under a June 28, 1959 interim order and the lower price established by the final order. The Supreme Court remanded this order to the Commission for further proceedings not inconsistent with its April 4, 1961 decision (*Milwaukee & Suburban Transport Corp. v. Public Service Comm.*, 13 Wis. (2d) 384).

Upon return of the record, the Commission issued an order dated January 23, 1962, pointing out that the corporation's operations and financial position had greatly altered since the 1959 order and that new rate proceedings and order (pending in MC-1670 and 2-SR-4027, see below) would not be inconsistent with the Supreme Court opinion.

Because the effect of the Commission's insufficient allowances for rate base and operating expenses, pointed out in the Supreme Court decision, represented a greater sum than the unrefunded \$54,266 portion of the total \$59,436 refund involved, the Corporation was entitled to retain the unrefunded amount and discharged from all liability to make other refunds under the 1959 order.

In Dockets MC-1670 and 2-SR-4027, subsequent to a December 5, 1961 emergency increase granted Milwaukee & Suburban Transport Corporation (46 P.S.C.W. 598), a final rate increase was authorized on May 4, 1962, raising adults' and children's cash fares five cents to be 25 and 15 cents, respectively. In denying the request, made by several associations, for a limited \$1.00 weekly pass for retired persons, the Commission said that such a pass "would reduce the estimated total passenger revenue, thus requiring a higher level of fares for other passengers." The unsuccessful Los Angeles experiment was cited in the discussion. The weekly school pass, which the Corporation had proposed to abolish, was retained.

#### D. Passenger riding trends

Passenger use of the various modes of transportation shows steadily increasing preference for the private automobile.

PERCENTAGE DISTRIBUTION OF INTERCITY PASSENGER  
MILES BY KIND OF TRANSPORTATION  
(United States)

Year	All railroads	Motor carriers of passengers	Airways	Inland waterways	Private automobiles
1950.....	8.11%	5.31%	2.01%	.30%	84.27%
1952.....	6.24	5.40	2.56	.25	85.55
1954.....	4.71	4.10	3.13	.27	87.79
1956.....	4.09	3.61	3.65	.27	88.38
1958.....	3.35	2.95	4.05	.29	89.36
1960.....	2.86	2.63	4.50	.27	89.74

#### E. Passenger trains

Passenger train patronage continues to decline, as the table above indicates. By order of November 25, 1960 (45 P.S.C.W. 669), the Commission authorized the Chicago and North Western Railway to discontinue the Green Bay-Mil-

waukee train No. 106 which for the first three months of 1960 showed an average daily passenger load of 3.80 persons. The need, as evidenced by usage, for the train was outweighed by the incurred operating loss. However, the companion Milwaukee-Green Bay train, with a daily average passenger load of 18.86, was ordered continued, since it showed operating profit, chiefly from mail and express revenues.

When proceedings were reopened in 1961 it was found that an out-of-pocket loss would result for train No. 117 if the Railway Express Agency withdrew its traffic from all Chicago and North Western lines between Milwaukee and Green Bay in accordance with a notice served on the railroad of its intent to terminate the contract for use of these Chicago and North Western lines. The Railway Express Agency was seeking motor carrier rights to conduct this operation. Discontinuance of train No. 117 under these circumstances, by which the carrier would realize annual savings of \$35,000, was therefore authorized by order of April 17, 1961 (46 P.S.C.W. 146), conditioned upon termination of said contract. Effective April 30, 1961, Railway Express Agency and Chicago and North Western entered into an interim contract whereby the railroad agreed to transport the express traffic handled on train No. 117 by its substitute motor vehicle operation pending the disposition of the motor carrier certification sought by Railway Express Agency. This satisfied the condition pending final action and the train was discontinued.

By order of October 5, 1961, the Commission denied the Milwaukee Road's application to discontinue New Lisbon-Wausau passenger trains Nos. 217-256 and Wausau-Tomahawk feeder bus service. The railway estimated annual savings of \$89,600. The Commission suggested and authorized an alternate solution providing savings of \$91,600. It also permitted discontinuance of Pullman sleeping car service and reduction from 7- to 6-days-a-week operation. The combined 1960 daily average passenger load was 14.6 persons for each one-way trip. In this manner, passenger service was preserved on a train having mail and express traffic as its dominant revenue source. (46 P.S.C.W. 455)

## IX. MERGERS—RAILROADS

As of January 1, 1961, Minneapolis, St. Paul & Sault St. Marie Railroad, Wisconsin Central Railroad, and The Duluth, South Shore and Atlantic Railway Companies became, through merger, the Soo Line Railroad Company.

The Interstate Commerce Commission is considering a proposed merger of several western railroads including Great Northern, Northern Pacific, Chicago, Burlington & Quincy, and Spokane, Portland & Seattle Railroad Companies. The Public Service Commission of Wisconsin intervened, seeking to promote conditions favorable to the protection of railroad service important to Wisconsin.

## X. TRANSPORTATION OF PROPERTY

## A. Railroads—Piggyback service

Trailer on flatcar operations, popularly known as "piggyback", are performed according to five plans which vary mainly as to trailer and flatcar ownership and have differing tariff provisions. The number of flatcars loaded with trailers in 1960 was 33% more than in the previous year; 1961 showed an advance of 6.7%; and the first six months of 1962 exhibited a 20.4% increase over the same period in 1961.

Piggyback operations in Wisconsin are principally interstate movements to or from the Milwaukee area, Fox River Valley and Lakeshore points, La Crosse, Superior, and a few other large terminal cities. However, intrastate trailer on flatcar service has increased in the past two years.

## B. Railroad freight rates

The Commission authorized intrastate railroad freight tariff revisions resulting in an over-all average 4½% increase in Docket 2-R-3914. The railroads customarily request application to Wisconsin intrastate traffic of tariffs newly authorized by the Interstate Commerce Commission for interstate traffic. While reasonable uniformity is desirable between interstate and intrastate rates, the Commission is concerned that short-haul, low-rated traffic typical to Wisconsin does not bear a disproportionate share of railroad revenue increase.

### C. Railroads—Contract motor carriers—Common motor carriers

There is increasing competition between railroads and motor carriers for heavy and bulky traffic. Contract motor carriers are now hauling commodities which railroads consider bulk carload shipping.

#### TOTAL INTERCITY TON-MILES AND PERCENT DISTRIBUTION BY TRANSPORT AGENCY

(United States)

Year	Total Intercity ton-miles in billions	Railroad	Motor carrier	Inland and Great Lakes waterways	Pipelines	Airways
1944-----	1,088.3	68.63%	5.35%	13.80%	12.21%	.007%
1949-----	915.9	60.56	10.61	15.79	13.02	.02
1954-----	1,124.5	49.50	19.09	15.43	15.94	.04
1959-----	1,295.3	49.97	22.27	15.17	17.52	.057
1960-----	1,326.4	48.66	22.44	16.60	17.24	.059

Applications for contract motor carrier authority were occasionally opposed by common motor carriers. This Commission continues to recognize the importance of preserving adequate common motor carriage, which is available to the small and occasional, as well as the large, shipper.

In one instance, contract carrier authority was denied by order of August 11, 1960 because "with proper cooperation, the common carriers should be able to take care of the service in a satisfactory manner." (46 P.S.C.W. 59)

On the other hand, it is not unusual for a contract carrier to dedicate equipment to a large shipper. For example, authority was granted in LC-16688 to haul for a company whose warehouse space was inadequate. The dedicated trailers were often used as "floating warehouses." In granting the authority over the protest of common carriers, the Commission said ". . . a need for the service is evident and the possible slight impairment of service of other carriers is outweighed by the convenience and necessity of the shipper." (46 P.S.C.W. 156)

### D. Additional statutory duties and new rules adopted

Chapter 646, Laws of 1961, empowers the Public Service Commission to appoint five agents or inspectors to aid in the enforcement of Chapter 194, Statutes.

Chapter 587, Laws of 1959, added to the Commission's duties the supervision and regulation of motor vehicle

rental companies. The Commission has adopted rules for this industry.

#### XI. CIVIL DEFENSE—EMERGENCY TRANSPORTATION

Chapter 628, Laws of 1959, created Chapter 22 of the Wisconsin Statutes, entitled "Civil Defense; Organization for State-wide Emergencies." The Governor delegated to the Public Service Commission the responsibility to provide emergency transportation in accordance with the Wisconsin Operational Survival Plan.

Chapter PSC 95 was created, setting forth rules, effective July 1, 1961, to provide for emergency motor carrier or railroad transportation under the Civil Defense statutes. A new ICC-State board has been organized to facilitate close coordination between the Interstate Commerce Commission and various state Civil Defense groups.

#### XII. RAILROAD-HIGHWAY CROSSING PROTECTION

The replacement of automatic signals for flagman and manually controlled signals continues. The trend is shown in the table below.

HIGHWAY-RAILROAD CROSSINGS\*

Protection	1952	1956	1960	June 30 1962
Statutory Signs .....	6,542	6,643	6,471	6,480
Flagman .....	93	68	39	37
Gates .....	115	139	168	170
Bell .....	90	91	88	86
Bell and Light .....	63	51	51	51
Wig Wag .....	665	641	631	627
Flashing Lights .....	508	669	825	863
Highway Overhead .....	419	423	453	477
Highway Underpass .....	402	404	412	419
Total .....	8,898	9,129	9,138	9,210

\*Includes some work authorized or ordered that was not completed on 6-30-62.

## XIII. WATER POWERS

## A. Popple River—Dam permit denied

On April 3, 1961, in Docket 2-WP-1472, the Commission denied the Elco Corporation's application to construct a dam on Popple River, designed to form a lake for real estate development. The Commission's decision was based upon consideration of scenic beauty:

The Popple River is as yet untouched and its scenic resources are unique. It is at a downstream location on the whole stream system and has a relatively large and fast flow because of its location, topography, and slope. While the Pine River, which is joined by the Popple River, has comparable scenic value, its naturalness is marred by a dam which generates hydro-electric power. Since the region already abounds in natural lakes, the public values accruing to the state as a whole in the preservation of these wilderness resources, including game, fish, and recreation, are superior to those presented by an inhabited area adjacent to the proposed Aspen Lake.

The Popple River in its natural state offers greater scenic value for the public than the proposed flowage would offer and the contrary finding of the County Board of Florence County is against the preponderance of the evidence.

The construction, operation, and maintenance of the proposed dam would violate that public right which consists of the enjoyment of natural scenic beauty in the Popple River.  
(46 P.S.C.W. 127)

In a dissenting opinion, Commissioner Padrutt held that the application should be granted and "that no public right is violated where one type of natural beauty is substituted for another where both are equally charming."

## B. Sand blankets—Dredging

Lake bed and shoreline improvement for recreational purposes is the objective of frequent applications to this Commission. In this biennium, the Commission granted 240 permits to riparian owners to place a layer of sand on the bed of the lake adjacent to their property. Approval was denied in 42 cases.

In addition, the Commission granted 75 and denied 8 applications for dredging contracts. The requests were made principally for the improvement of shorelines.

**C. Dams—Municipal acquisition of dams**

As is shown in the tabulation below, the number of dams of over 750 Theoretical Horsepower (THP) is stabilized while, in two years, the number of power dams under 750 THP has declined 20%, from 164 to 131. Many of the small dams where power generation was discontinued are still used to maintain lakes or ponds for recreational purposes.

STATE OF WISCONSIN DAMS

Function of Dam	January 1960	February 1962
Public Utility Dams Over 750 THP .....	53	53
Industrial Power Dams Over 750 THP .....	16	16
Dams Used for Both Utility and Industrial Power over 750 THP .....	10	11
Dams Owned by United States Government Used for Power Over 750 THP .....	10	9
Dams Owned by or Leased to Cooperatives .....	5	5
Public Utility Dams Under 750 THP .....	66	60
Dams Supplying Electric Power to Utilities Under 750 THP .....	11	7
Private Power Dams Under 750 THP .....	87	64
Dams Used for Storage Reservoirs .....	30	30
Dams Used to Control Levels of Lakes—No Power .....	197	201
Dams Used for Recreation—No Power .....	310	345
Industrial Dams—No Power .....	78	78
Drainage Ditch Control Dams Under Jurisdiction of Water Regulatory Board .....	206	206
Total .....	1,079	1,085

Where electric utilities find the operation of a small dam uneconomic, occasionally title to the dam has, in some cases, been transferred to a city or village to perpetuate the dam pool and the park and recreational facilities which have developed around it. The villages of Oxford, Gays Mills, Somers, and the city of Sparta became owners of dams in this manner.

**D. Action under new legislation—Navigable waters**

Chapter 148, Laws of 1961, gave the Commission the power to issue orders deemed necessary to protect the interest of the public in navigable waters. Under that law, the Commission, in Docket 2-WP-1577, ordered a contractor and two riparian owners to remove fill from the bed of Silver Lake within 20 days. It appeared that they had removed the fill from the lake bed without the contract required by section 30.20 and placed it on a different portion of the lake bed, in violation of section 30.12, Statutes.

Chapter 535, Laws of 1961, provides in part as follows:

Prior to the execution of any lease by the commissioners of public lands of rights to submerged lands or rights to fill in submerged lands held in trust for the public under s. 24.39, the public service commission shall determine either with or without a public hearing whether or not the proposed physical changes in the area contemplated as a result of the execution of such lease are consistent with the public interest.

Subsequent to hearings in Docket 2-WP-1589, the Commission made such a finding with respect to Dairyland Power Cooperative's proposed lease of rights on the Mississippi River near its Genoa plant (see also page 15 of this Report).

Statutory Finding No. 3 reads:

That no lease shall be executed until Dairyland Power Cooperative furnishes satisfactory evidence to the Commissioners of Public Lands that it is the owner of Government Lots 5, 6, and 7 . . . . [abutting on Mississippi River].

#### E. Irrigation—Trends

IRRIGATION PERMITS  
Tabulation by Years

Year	Permits Issued	Vacated Rescinded Revoked	Permits In Effect	Permits for 1 Year Only	Proceedings Dismissed	Applications	
						Denied	Withdrawn
1949	1		1				
1950			1				
1951	3		4			3	
1952	0		4				
1953	2		6				
1954	5		11				
1955	5		16				
1956	22		38			5	4
1957	40		78			4	6
1958	34	3	109			12	
1959	36	2	143	1		3	3
1960	10	6	146		3		
1961	8	6	148		0	0	1
1962 (June 30)	6	2	152			1	

The tabulation above shows that there have been few recent applications under section 30.18 for permits to divert water from Wisconsin streams.

## XIV. COMMISSION PROCEEDINGS

Under the direction of the Commission, hearing examiners held 2,675 hearings in various parts of the state. This total exceeds that of the last biennium by 120.

## HEARINGS

	1960-61	1961-62
Railroad .....	167	149
Utility		
General .....	172	215
Securities .....	0	4
New Plants and Additions .....	59	70
Water Power .....	66	128
Motor		
General .....	19	37
Common Carrier Certificate .....	60	72
Contract Carrier Licenses .....	739	718
Amendments .....	0	0
Registrations .....	0	0
Total .....	1282	1393

## FORMAL CASES

	Opened during biennium		Closed during biennium	
	1960-61	1961-62	1960-61	1961-62
Railroad .....	197	185	167	193
Utility				
General .....	218	186	213	196
Securities .....	44	39	42	39
New Plants and Additions .....	111	120	116	129
Water Power .....	280	321	287	299
Motor				
General .....	22	21	17	26
Common Carrier Certificates .....	27	27	25	27
Contract Carrier Licenses .....	1,534	1,385	1,505	1,399
Amendments .....	1,262	1,062	1,221	1,109
Registrations .....	42	26	40	27
Total .....	3,737	3,372	3,633	3,444

ORDERS ISSUED

	1960-61	1961-62
Railroad .....	192	257
Utility .....		
General .....	233	228
Securities .....	43	46
New Plant and Additions .....	183	153
Water Power .....	284	290
Motor .....		
General .....	22	34
Common Carrier Certificates .....	32	39
Contract Carrier Licenses .....	1,336	1,344
Amendments .....	1,057	910
Registrations .....	22	4
Total .....	3,359	3,305

INFORMAL CASES

	1960-61	1961-62
Railroad .....	41	47
Utility .....	663	686
Water Power .....	79	79
Total .....	783	812

Informal cases are resolved through correspondence or conference.

## XV. FINANCES OF THE COMMISSION

The Commission has four principle 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  $\frac{3}{5}$  of 1% of the total gross intrastate operating revenues for the previous calendar year.
4. To provide for regulation of motor-carrier operating authorities, rates, and service; for water resources regulation; and for miscellaneous administrative expenses, a specific legislative appropriation is available from the State General Fund. Reimbursement for motor transportation expenses is eventually made from the State Highway Fund.

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

## SUMMARY OF FINANCES

	1960-61	1961-62
<b>Appropriations and receipts</b>		
General legislative appropriations.....	\$ 337,033.00	\$ 458,575.00
Cost-of-living bonus appropriation.....	48,782.28	
Board on government operations appropriation.....	20,288.00	578.00
Non-lapsed balances.....	2,486.49	996.37
<b>Total appropriations.....</b>	<b>\$ 408,589.77</b>	<b>\$ 460,147.37</b>
<b>Utilities receipts</b>		
Direct assessments.....	\$ 61,880.78	\$ 65,378.65
Remainder assessments.....	475,957.70	475,548.57
<b>Total.....</b>	<b>\$ 537,838.48</b>	<b>\$ 540,927.22</b>
<b>Railroad receipts</b>		
Direct assessments.....	\$ 6,508.56	\$ 6,292.41
Remainder assessments.....	137,953.84	136,347.61
<b>Total.....</b>	<b>\$ 144,462.40</b>	<b>\$ 142,640.02</b>
Miscellaneous receipts.....	\$ 2,878.83	\$ 3,358.75
<b>Total appropriations and receipts.....</b>	<b>\$1,093,769.48</b>	<b>\$1,147,073.36</b>
<b>Disbursements</b>		
Utility.....	\$ 544,717.48	\$ 569,710.45
Railroad transportation.....	144,384.25	143,752.18
Water power and navigation.....	124,407.48	144,320.17
Motor transportation.....	266,275.30	285,274.03
Civil defense.....	2,880.63	2,421.02
<b>Total disbursements.....</b>	<b>\$1,082,665.14</b>	<b>\$1,145,477.85</b>
<b>Collections for state general fund</b>		
Utilities securities fees.....	\$ 66,351.05	\$ 104,128.02
Water power and engineering fees.....	1,931.42	(402.06)
Copy work and sale of printed matter.....	2,059.37	3,819.94
Penalties.....		655.47
<b>Total.....</b>	<b>\$ 70,341.84</b>	<b>\$ 108,201.37</b>
<b>Collections for state highway fund</b>		
Motor carrier filing fees.....	\$ 70,805.00	\$ 63,100.00

## XVI. 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 139 persons. The Commissioners, appointed by the Governor and confirmed by the Senate, are Leonard Bessman, chairman, Arthur L. Padrutt, and Stanley P. Hebert.

**A. Personnel**

CHAIRMAN LEONARD BESSMAN was born in Milwaukee, Wisconsin. He graduated from Marquette University Law School and was admitted to the Wisconsin Bar in June 1936. After serving with the United States Army during World War II, he was, from 1946 to 1948, a special attorney for the Anti-trust Division of the U. S. Department of Justice. During the years 1948–1952, as Assistant Attorney General of the State of Wisconsin, he was in charge of the state Anti-trust Division. Mr. Bessman was engaged in private law practice in Milwaukee from 1936 to 1941 and again during 1952–1959. He is a member of the American Bar Association and the Wisconsin Bar Association. In 1959 Mr. Bessman was appointed to the Public Service Commission by Governor Nelson for a six-year term and was appointed chairman of the Commission, which duties he assumed November 2, 1959. He is a member of the National Association of Railroad and Utilities Commissioners Committee on Rates of Public Utilities.

COMMISSIONER ARTHUR L. PADRUTT was born in Huron, South Dakota. He received a Bachelor of Science degree from Eau Claire State College in 1939 and was graduated from the University of Wisconsin Law School in 1956, prior to which time he taught in Wisconsin public schools and owned and operated a photo supply business. He was elected to the Wisconsin Assembly from Chippewa County in 1940 and served four consecutive terms in that body, and, subsequently, two terms in the Wisconsin Senate. During his legislative career, Mr. Padrutt's committee assignments in-

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cluded the State Centennial Committee, Committee to Visit State Institutions, Joint Finance Committee, Governmental and Veterans' Affairs Committee, and Joint Survey Committee on Retirement Systems to which he was appointed a public member, following his resignation from the Senate. He was also a member of the State Building Commission, and the Commission on Interstate Cooperation, Wisconsin's representative on the Board of Managers, Council of State Governments, and from 1955 through 1958, chairman of the Governor's Retirement Study Commission. He has been chairman of the Joint Survey Committee on Retirement Systems since 1953 and chairman of the Retirement Research Council since its creation in 1959. 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. He is a member of the Executive Committee of the National Association of Railroad and Utilities Commissioners and chairman of its committee on Training of Commission Personnel. In 1961-1962, he was President of the 12-state Great Lakes Conference of Railroad and Utilities Commissioners.

COMMISSIONER STANLEY P. HEBERT, a native of Baton Rouge, Louisiana, came to Milwaukee, Wisconsin, at an early age. His attendance at the University of Wisconsin was interrupted in 1942 by a call to military duty with the U. S. Army Air Corps which extended to just short of three years principally with a Meteorology Detachment connected with Tuskegee Army Air Field. He received a Ph.B degree from the University of Wisconsin in 1947. Mr. Hebert was graduated from Marquette University Law School in 1950 and in 1951 was appointed Investigator for the Milwaukee District Office of Price Stabilization, Enforcement Branch—later that year he accepted a position as Assistant Professor of Law at the Southern University Law School, Scotlandville, Louisiana. Between 1952-56 he served as Associate Professor of Law at North Carolina College Law School, Durham, North Carolina. He devoted his entire law teaching career to subjects in the field of Public Law. In 1956 he returned to private practice and served as research and trial

counsel to attorneys in civil rights and labor negotiations and litigation. Mr. Hebert joined the staff of the Office of the City Attorney of Milwaukee as an Assistant City Attorney in 1958. As Assistant City Attorney, in addition to the trial of hundreds of cases, he also helped draft significant amendments to the Court Reorganization Acts, passed by the 1961 Legislature. Governor Gaylord Nelson appointed Mr. Hebert to the Public Service Commission on May 15, 1961; thereafter he was duly approved by the Wisconsin Senate and sworn in as a Commissioner by the Governor on August 1, 1961. Long active in civic circles, in May 1962 Mr. Hebert was awarded the 1962 Man of the Year Award by Alpha Phi Alpha Fraternity, Inc., Delta Chi Lambda Chapter, for "Outstanding Public Service." He is a member of the Executive Committee of the Midwest Association of Railroad and Utilities Commissioners.

EDWARD T. KAVENY has been secretary of the Commission for more than twenty-one years, and was appointed following a competitive civil service examination in which he ranked first. He was born in Pawtucket, Rhode Island, attended LaSalle Academy, Providence, Rhode Island, and Holy Cross College, Worcester, Massachusetts. He was Political Editor, legislative correspondent and chief of the Madison Bureau of the Milwaukee Sentinel; municipal political writer and city hall reporter of the (Milwaukee) Wisconsin News; and a member of the editorial staff of the Detroit Free Press, Syracuse (NY) Post-Standard, Syracuse (NY) Journal, Waterbury (Conn) Republican, Providence (RI) News, Woonsocket (RI) Call and Pawtucket (RI) Times. He entered state service in 1935 as public relations director for various state departments. In 1937, he was appointed an assistant director of the Beverage Tax Division and public relations director of the State Treasury Department. In 1938, he became editor of the Tax Commission and liaison assistant to the director of the Tax Commission. In 1939, he returned to the Treasury Department as editor and administrative assistant of the Beverage and Cigarette Tax Division. For the past 15 years he has been chairman of the state and federal Committee on Secretarial Offices of the National Association of Railroad and Utilities Commission-

ers. He presented the report of this committee to the conventions of the NARUC, and presided at the national meetings of the secretaries of state and federal regulatory commissions at Boston in 1947; Savannah, Georgia, 1948; Cleveland, 1949; Phoenix, Arizona, 1950; Charleston, South Carolina, 1951; Little Rock, Arkansas, 1952; New York, 1953; Chicago, 1954; Asheville, North Carolina, 1955; San Francisco, 1956; Memphis, Tennessee, 1957; Phoenix, 1958; Philadelphia, 1959; Las Vegas, 1960; Atlantic City, 1961; and New Orleans, 1962. His addresses and papers have appeared in many publications. He was chairman of a special committee appointed in 1950 to study reorganization of the Washington office of the NARUC. He is a member of the Personnel Council, State of Wisconsin, and of the Committee on Promotional Practices in the Classified Service; the American Society for Public Administration and the Milwaukee Press Club.

## PUBLIC SERVICE COMMISSION OF WISCONSIN

## PERSONNEL

Leonard Bessman, chairman  
Arthur L. Padrutt, commissioner  
Stanley P. Hebert, commissioner  
Edward T. Kaveny, secretary

**Administration Department**

Edward T. Kaveny, chief  
Main Office Section—Francesca A. di Lorenzo  
Administrative Assistant  
Cost Accounting Section—John F. Goetz, Jr.  
Filing Section—Faye M. Robbins  
Reporting Section—(Supervised by Secretary and  
Administrative Assistant)

**Transportation Department**

A. W. Larson, chief  
Judd H. Justesen, assistant chief  
Tariffs Section—Ivan A. Sherman  
Statistics Section—Richard V. Maves  
Reports and Accounts Section—Robert C. Stadelman  
Motor Carrier Section—Judd H. Justesen

**Legal Department**

William E. Torkelson, chief counsel

**Engineering Department**

George P. Steinmetz, chief  
Ralph E. Purucker, assistant chief  
General Section—William A. Kuehlthau  
Service Section—Clarence F. Riederer  
Railroad Section—Hugo F. Muehrcke  
Valuation Section—George P. Steinmetz  
Water Power Section—William H. Cartwright

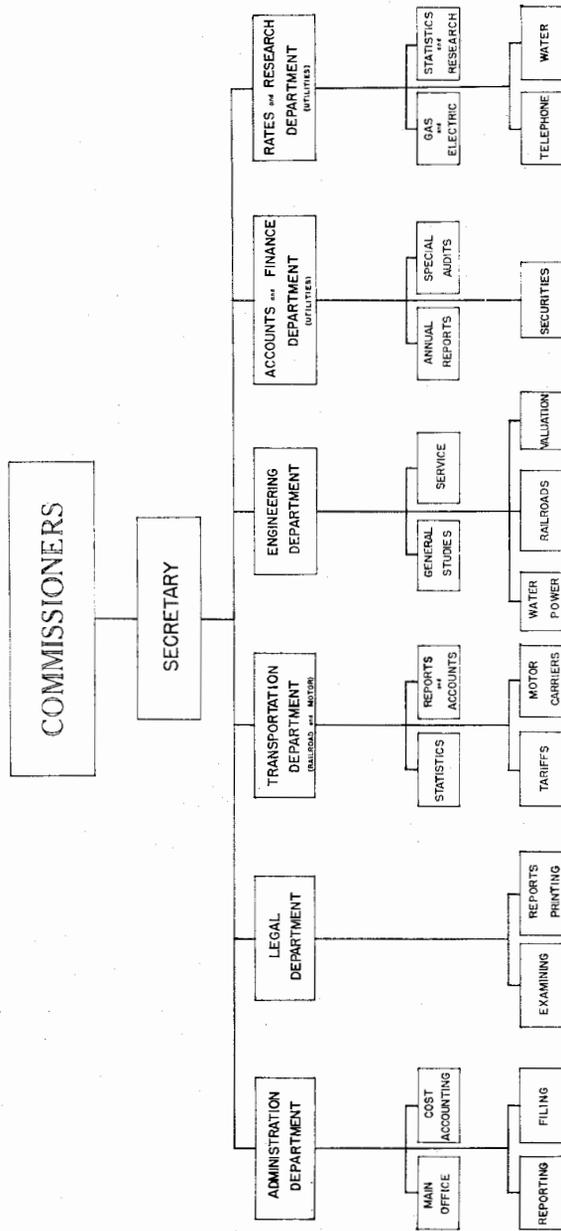
**Accounts and Finance Department**

A. R. Colbert, chief  
Frederick C. Huebner, assistant chief

**Rates and Research Department**

Orville P. Deuel, chief  
Eugene M. Downey, assistant chief

ORGANIZATION CHART  
OF  
PUBLIC SERVICE COMMISSION OF WISCONSIN



## B. 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.

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

### 2. Legal department

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

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

### *3. Transportation department*

**Statistical Section:** Analyzes costs of railroads and motor carriers 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 common 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; represents the state in Interstate Commerce Commission rate proceedings; investigates telegraph rates; and audits bills upon request.

**Motor Carrier Section:** Handles preliminary work in connection with motor-carrier authorities and complaints and maintains liaison with other sections of the Commission and state departments, involving motor-carrier regulations. Investigates complaints and inquiries concerning, and makes periodic inspections of, trolley bus, bus, and truck service. 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. He is deputy co-director of Emergency Transportation Service under the Wisconsin Operational Survival Plan, the official State plan of civil defense.

### *4. Engineering department*

Provides engineering services for the Commission in transportation, water-power, and utility matters, and does similar work for other state departments upon request.

The work includes valuations of utility property for rate, security issue, and acquisition purposes; establishment of continuing property records of utility property for use by the utilities and the Commission in many regulatory matters; investigations of complaints and inquiries concerning, and periodic inspections of, telephone, gas, electric, and railroad service, as well as the safety of electric and gas lines and equipment; investigations of utility applications to add facilities, make interconnections, and integrate operations; and investigations of water-power and navigation matters such as lake levels, irrigation, dredging, sand blankets, obstructions in navigable waters, measurement of stream flow, and plans for proposed water-power structures and for their operation.

GEORGE P. STEINMETZ has been chief of the Engineering Department since 1935 except for a 1942-1945 military leave and a 1953-1959 leave to serve as a commissioner, the last three years as chairman. He has served on, and has been chairman of, several committees of the National Association of Railroad and Utilities Commissioners.

*5. Accounts and finance department*

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

A. R. COLBERT, who has been chief of the department for the past 25 years, is chairman of the Committee on Accounts and Statistics of the National Association of Railroad and Utilities Commissioners, and for many years was chairman or member of that Association's Committee on Depreciation.

*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; and maintains a file of electric, telephone, gas, sewer, and water rates.

ORVILLE P. DEUEL, the chief 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.