

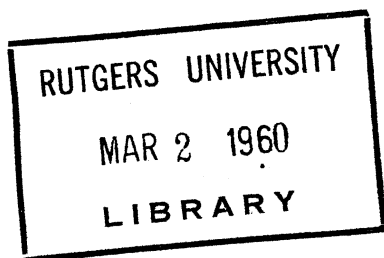
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**Statement of the Board of Public Utility
Commissioners in answer to certain charges
made because of increases permitted in the
rates of public utilities**

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STATEMENT OF THE BOARD OF PUBLIC UTILITY
COMMISSIONERS IN ANSWER TO CERTAIN
CHARGES MADE BECAUSE OF INCREASES PER-
MITTED IN THE RATES OF PUBLIC UTILITIES.

September 18th, 1919.



The Board of Public Utility Commissioners has refrained heretofore from answering attacks made upon it by candidates for public office, but these attacks lately have become so vicious and mendacious and are reiterated with so much effrontery that patience has ceased to be a virtue, and may lead to a belief that no answer is forthcoming because none can be made.

The continued misrepresentation of the actions of the Board and the repetition of statements known to be devoid of truth are not only unjust to the Board and prejudicial to the public interest but debasing to those who make them. Evidence of this is afforded in advertisements recently published by one of the prominent candidates for the highest elective office in the State. This candidate is, in private life, a respectable citizen of his community. He occupies a position of financial trust and responsibility, and in times like these, when people are inclined to be misled by the sophistries of bolshevists, a man of his type aspiring to public leadership would be expected to discuss the problems of the day in a spirit of reason and in a manner above that of the vulgar demagogue. Instead he uses the methods of the incendiary agitator; tries to incite popular hatred and ill-feeling toward an important public utility and the State Board having jurisdiction over its rates, and appeals for the votes of the prejudiced and unthinking in a manner unworthy of honorable manhood and good citizenship.

The attacks upon the Board dwell chiefly upon the increases the Public Service Railway Company has been allowed to make in its fares and the permission recently given to try the zone plan.

It has been stated and repeated by those who know they are not telling the truth that after the Board in July, 1918, met an application of the Public Service Railway Company for increased rates by permission to charge one cent for a transfer it increased the flat fare from five to seven cents without anything to warrant this action. The charge for transfers was permitted to enable the company to obtain additional revenue to meet increased wages of its employees, and at the time appeared to be sufficient for the purpose.

Later the War Labor Board, ruling upon a controversy between the company and its employees, made an award which resulted in increased wages much in excess of our estimate when the additional charge for a transfer was allowed. The Public Utility Commission, of course, had no advance information as to the decision of the War Labor Board, and had nothing before it, when the first fare decision was filed, to justify any higher estimate for wage disbursements than the amount allowed.

The award of the War Labor Board was accompanied by an urgent recommendation that the proper regulating authority reconsider the fare the company was allowed to charge, stating that the increase in wages would add substantially to the company's operating cost.

Following this the Public Service Railway Company made application for a further increase in rates. Public hearing was held on this application, notice of which was sent to each municipality in which the company operates. Investigation showed that unless the company could obtain additional revenue to pay the increased wages it could not remain solvent and that service would be greatly impaired. To protect not merely the company's interest but the public from the inadequate service certain to result if emergency relief was not afforded a further increase in fare had to be allowed. Such increase could not have been denied without a gross dereliction of duty on the part of the Board, and the charge that it was influenced by political considerations is so contemptible a lie that we hesitate to give it the dignity of a denial.

On July 2d of this year the War Labor Board, deciding another wage controversy, made an award which will result annually in the payment of an additional \$1,175,000 in wages. Any increase in revenue from the zone plan will not go, as has been charged, to enrich the corporation, but will be needed to pay increased wages of the company's employees.

The present zone plan is by no means regarded as fixed. It is largely a matter of experiment. If there is co-operation on the part of the public, it is believed that defects and inequities as

they develop can be corrected, and a better and more logical system of charging devised than the old flat rate method.

It has been stated by candidates other than the one heretofore referred to that the solution of the public utility problem requires appraisals of the properties of the utilities with rates based upon property values. This Board, so long as the duty is imposed upon it to fix rates, would welcome appraisals to assist it in its determination. We do not object to anyone advocating the making of such appraisals, but we do object to advocacy of this being so construed as to create the impression that the Public Utility Commission has paid no attention to this detail, and, therefore, has no knowledge of the values of the properties of utilities in this State.

The Board maintains an appraisal department consisting of engineers and accountants selected for fitness after Civil Service examinations. These are under the direction of a thoroughly competent engineer, and are constantly employed in determining the values of the properties of public utilities. In addition, the Board employs, as occasion requires and its appropriation will admit, special experts to assist it in important cases. The time necessarily required to establish values in formal rate proceedings and limitations upon the Board's appropriation have not admitted of determining property values for every public utility subject to the Board's jurisdiction, but in most cases, among them being some of the most important in the State, the Board has determined the values of the companies' properties and has limited the rate of return upon such values.

The law which defines the Board's powers and duties does not provide that no increase in rates shall be permitted except after a valuation of the utility's property, and that the rate of return shall be limited to the legal rate of interest on such value.

This Board, like similar Boards in other States, has authority to grant emergency increases without prior property valuation. It has been evident that conditions caused by the war have so affected some utilities subject to the Board's jurisdiction that they could not maintain their credit and supply adequate service unless allowed increased revenue. To have suddenly forced



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these companies into bankruptcy at a time of abnormal financial and industrial conditions, in our judgment, would have been much against the public interest.

The emergency increases allowed are not permanent. Companies permitted to charge them are required to make monthly reports of revenues and expenses, and the Board is kept continuously informed as to their condition. Where the Board does not have valuations of the utilities' properties such valuations are being made as rapidly as possible with the facilities at the Board's disposal. If the return to any utility is more than should be received the emergency increases will be abrogated and rates properly adjusted.

If permitting emergency increases in rates of public utilities to meet abnormal conditions, suddenly developed, is believed to be opposed to the public interest, the law can be amended so that the Public Utility Commission could not, at any time or under any conditions, allow such increases. With the law as it is, and the Board vested with authority to grant emergency increases, it could not, under the abnormal conditions which have affected public utilities as they have every one else, deny these increases when they clearly appeared to be necessary.

September 18th, 1919.

